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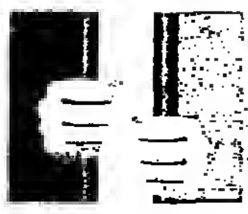

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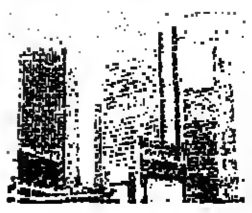

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FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY JULY 26 1994 D8523A

Refugees begin return to Rwanda to escape cholera

Hutu refugees who fled Rwanda are heading home in their tens of thousands to put themselves at the mercy of their country's Tutsi-led government rather than face cholera and starvation in Zairean camps. Some were too weak to make the journey and died only a few kilometres inside the Rwandan border. But relief workers said the return was not reducing the scale the humanitarian catastrophe in Zaire, where cholera is killing refugees by the thousand. Page 16

Norsk Hydro reported first-half net profits of NKr1.93bn ($280m). The Norwegian energy, fertilisers and metals group said the result kept it on course for operating profits of NKr10bn in 1996. Page 17; Lex, Page 16

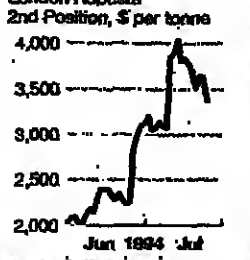
'Mad cow' restrictions hit UK exports: Most of Britain's beef exports to the rest of the European Union will be halted this week with the enforcement of new restrictions aimed at stopping the spread of "mad cow disease", meat traders warned. Page 16

Lucas Industries, the UK-based engineering group, denied it was under criminal investigation in the US for falsifying inspection of parts for commercial aircraft. A newspaper report caused Lucas's shares to fall from 198p to 183p when trading started in London, but they recovered to close at 193p after the denial. Page 17

Coffee prices lose some of their froth:

Coffee

London Robusta
2nd Position, $ per tonne



Source: Datastream

Coffee prices fell back in New York and London as speculators found few buyers and the market waited for the Brazilian government's first estimate of the frost damage to next year's crop. In London, the second position robusta contract dropped $245 to $3,383 a tonne – about $300 higher than it was just before the second Brazilian frost two weeks ago and 17 per cent below the $4,085 peak it hit the week after the frost. In New York, arabica was about 25 per cent from its peak of 274 cents a pound on July 13. Commodities, Page 24

Fakes 'fund Ulster terror': Northern Ireland terrorists may be making money out of counterfeit goods, the Royal Ulster Constabulary said. Thousands of fake goods had emerged from Ulster in recent months, and paramilitary organisations are thought to be involved in the racket. Paisley to urge Ulster assembly, Page 7

AirTouch Communications, California-based cellular telephone company, and US West, the Baby Bell regional telecoms group, are to merge their domestic cellular telephone businesses in a joint venture that will create the US's third largest provider of cellular phone services. Page 17

Yemenis to meet: The Yemen government will meet defeated southern secessionists at UN-organised reconciliation talks in Geneva on Thursday.

Greek court demands accounts: An Athens court ordered that bank accounts of former conservative premier Constantine Mitsotakis be opened in connection with a probe into claims that be took bribes while in office. Page 2

Teargas used on demonstrators: Nigerian police fired teargas in Lagos and Ibadan to disperse rioting youths opposed to military week.

Egypt meets targets: Egypt has met economic reform targets set by the World Bank and linked to a decision by western creditors to waive official debts of about $4bn.

Fighting in Bangladesh: About 50 people were injured in Chittagong, Bangladesh, when police clashed with activists opposed to Moslem fundamentalism. Paramilitary troops were sent in to end the fighting.

Zaire bank chief clashes with premier: Zaire's central bank governor Ndiang Kaboul defied his suspension on Friday by prime minister Kengo Wa Dondo and turned up for work as usual. Kengo's government has accused Ndiang of flooding Zaire's black market with millions of newly-printed zaire notes – a charge Kengo denies. Page 4

Mouse market flourishes: A lively mouse market has been set up in Taiping County in China's Guangdong province. The market meets four times a month, with over 2,000 mice traded. The mice are sold to restaurants, which serve them as a delicacy.

STOCK MARKET INDICES

FT-SE 100:	3,106.1	(-8.6)
Yield	4.02	
FT-SE Eurotrack 100	1,384.93	(-2.47)
FT-SE-A All-Share	1,552.07	(-0.2%)
Nikkei	20,297.66	(-165.23)
New York: lunchtime		
Dow Jones Ind Ave	3,741.51	(+6.47)
S&P Composite	454.18	(+1.07)

US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.468%
Long Bond	84½
Yield	7.528%

LONDON MONEY

3-mo Interbank	5⅛%	(5⅛%)
Liffe long gilt future:	Sep 102½	(Sep102½)

NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$17.675	(17.81)

GOLD

New York Comex (Aug)	$384.9	(385.0)
London	$385.2	(384.7)

STERLING

New York lunchtime:		
$	1.5365	
London:		
$	1.5342	(1.528)
DM	2.4315	(2.4379)
FFr	8.3107	(8.3403)
SFr	2.0611	(2.0658)
Y	151.497	(150.839)
£ Index	79.1	(same)

DOLLAR

New York lunchtime:		
DM	1.58615	
FFr	5.4175	
SFr	1.3458	
Y	98.65	
London:		
DM	1.5849	(1.5955)
FFr	5.4171	(5.4585)
SFr	1.3435	(1.352)
Y	98.75	(98.72)
$ Index	63.3	(63.4)

Tokyo close Y 98.47

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000
						UAE	Dh12.00

Fininvest chief admits paying bribes to police

By Robert Graham in Rome

A senior manager of Fininvest, the media empire owned by Mr Silvio Berlusconi, the Italian prime minister, yesterday admitted to paying three separate bribes to members of the Guardia di Finanza, the financial police.

The admission was made by Mr Salvatore Sciascia, head of Fininvest's tax department, according to Mr Guido Viola, his lawyer. Mr Sciascia handed himself in for interrogation to Milan magistrates.

The payments were made at a time when Mr Berlusconi was still actively in charge of Fininvest, and are certain to embarrass the prime minister.

Within the rightwing coalition, Mr Berlusconi was beginning to look isolated yesterday. Both the populist Northern League and the the neo-fascist MSI/National Alliance declined to condemn the action by the Milan magistrates, so soon after the magistrates had forced the government to withdraw a controversial decree on preventive detention.

Mr Berlusconi has been strongly criticised by the opposition for failing to understand the conflict of interest between his role as prime minister and that of owner of Fininvest.

He was also under fire yesterday for holding a crisis meeting at his Milan villa on Sunday with close members of his government – all former Fininvest employees – as well as with lawyers of his younger brother Paolo and of Mr Sciascia.

Mr Paolo Berlusconi is understood to be on a list of people under investigation by Milan magistrates in relation to the Guardia di Finanza affair.

An arrest warrant on corruption charges was issued on Saturday for Mr Sciascia, for another member of Fininvest's tax department and for 21 other businessmen and Guardia di Finanza officials. This was part of a broad-ranging inquiry by Milan magistrates into a well organised procedure among members of the Guardia di Finanza, taking bribes in return for "friendly" tax assessments and inspections of company balance sheets.

According to Mr Viola, his client paid L100m ($64,100) in two tranches in 1989 relating to the affairs of Videotime, a key Fininvest TV production company.

A further L100m was paid relating to an inspection of Mediolanum, the group's life insurance company.

Mr Sciascia also admitted a L130m payment in 1992 relating to an inspection of Fininvest's Mondadori publishers. He had oot been previously charged over this payment.

However, be denied a L25m payment relating to the affairs of Telepiu, the pay-TV channel.

"The decision to pay was mine, otherwise I would not have been in charge of tax affairs," Mr Sciascia said later.

He has been with Fininvest since 1982 and is on the board of at least 15 of the group's companies including Istifi, regarded as the central elemeot in Fininvest's financial structure.

His lawyer last night was seeking to avoid preventive detention on the grounds of Mr Sciascia's bealth. He has bad two heart by-pass operations.

French corruption trail, Page 2

White House summit formally ends 46-year state of war

Israel and Jordan reach wide co-operation deal

By Julian Ozanne in Washington

Israel and Jordan formally ended a 46-year-old state of war at a White House summit yesterday and agreed an unexpectedly broad package of measures towards normal relations and the creation of a Middle East common market.

The Washington Declaration signed by Mr Yitzhak Rabin, Israeli prime minister, and King Hussein of Jordan falls short of an official peace treaty but marks a historic change in a region torn apart for almost half a century by war, hostility and mutual suspicion.

Sunshine bathed the ceremony, and King Hussein and Mr Rabin repeatedly shook hands enthusiastically throughont the day. After the first handshake Mr Rabin said: "Your Majesty, the entire state of Israel is shaking your hand."

A beaming King Hussein said the Rose Garden ceremony was "a day of hope and vision" and Mr Rabin said that "we have gone a long way towards a full treaty of peace."

US president Bill Clinton said: "As this century draws to a close, a new era of peace opens before us in ancient lands as brave men choose reconciliation over conflict."

The five-page declaration called for an immediate series of confidence-building measures to inaugurate a new era of trade, tourism and regional integration which will stimulate the economies of both nations.

Among the measures agreed are: direct telephone links; opening two new border crossings; granting free passage to third country tourists; linking the two countries' electricity grids; speeding up negotiations on an international air corridor and co-operation between the Jordanian and Israeli police forces.

The declaration also pledged both sides to accelerate bilateral negotiations over border disputes and water issues. After much US and Israeli pressure, Jordan also agreed to suspend its part of the Arab boycott of Israeli goods and companies.

The document also preserved King Hussein's role as guardian of the Islamic holy sites in Jerusalem and accorded a high priority to Jordan's historic role as guardian in final status talks on the future of the Holy City.

Mr Rabin said the package of measures was much wider than the two sides planned wben they agreed to the summit 10 days ego and marked the fact that trade and economic relations would be the foundation of Middle East peace.

The declaration, Mr Rabin said: "Bears witness to our ability in Israel and Jordan to accelerate our efforts toward peace, to overcome obstacles, to achieve a breakthrough and to put an end to 46 years of hostility."

Mr Clinton described the economic measures as "the building blocks of a modern peace in ancient holy lands".

Both sides pledged to meet continuously until a peace treaty could be signed.

Earlier Mr Warren Christopher, US secretary of state, said: "I think it is nnly a matter of months until there's a formal peace agreement."

In Israel, children marked the festive days releasing balloons and kites across the Jordanian border carrying invitations to Jordanian children to join in a celebration of peace.

Rare moment of sun for Christopher, Page 4

President Bill Clinton applauds as Israeli prime minister Yitzhak Rabin (left) and Jordan's King Hussein shake hands Picture: AP

German bourse launches insider trading probe

By Christopher Parkes in Frankfurt and Michael Lindemann in Bonn

The German stock exchange has launched an insider trading probe in the wake of criminal investigations into suspected tax evasion by a group of Frankfurt stockbrokers.

The exchange inquiry was ordered yesterday following weekend press reports that a ring of around two dozen German brokers had allegedly conspired in a highly-profitable "front-running" operation through a Geneva-based investment firm.

Front-running is stock market jargon for traders who profit by using prior knowledge of large "buy" orders from clients to purchase shares on tbeir own account and sell them later as prices rise.

The exchange investigation, which will examine whether a voluntary code of practice has been breached, is separate from the criminal investigation into tax evasion, which is being conducted by the Frankfurt public prosecutors' office.

It is understood that data relating to the Geneva firm's account witb the Frankfurt branch of investment bank Merck, Finck & Co were the target of a search by federal tax investigators at the bank on July 13.

The trading account is believed to have been active for more than 10 years and dealt almost exclusively in tbe top 30 German stocks comprising the Frankfurt DAX index.

According to Ms Hildegard Becker-Toussaint, an official at the prosecutors' office, Merck, Finck, wholly owned by Britain's Barclays Bank, was not implicated in the case.

The criminal investigation was opened following the raid, and currently involves five independent brokers wbo are suspected of having evaded tax with tbe belp nf twn Swiss companies, Ms Becker-Toussaint added.

It is understood the tax authorities' suspicions were initally aroused after an employee at a large German commercial bank was arrested for alleged tax irregularitles, and offered to trade information with the prosecutors.

Rumours of an insider trading ring started to circulate following the tax inspectors' raid, which was made public on July 19, when Merck, Finck said it was the "scene of, but not the reason for" the search.

Although the Frankfurt prosecution service said its investigation was focused solely on suspected tax evasion, a similar probe in 1991 into the tax affairs of some 200 banking and markets employees uncovered widespread abuse of insider knowledge.

The stock exchange said yesterday its probe was to be undertaken on the basis of the unconfirmed press reports and that it had not received any complaints or concrete accusations. However, sucb a rapid response to

Continued on Page 16

American Barrick joins fight for Canadian mining group

By Bernard Simon in Toronto

American Barrick, the gold producer controlled by Canadian entrepreneur Mr Peter Munk, yesterday joined the battle for Lac Minerals with a C$2.1bn (US$1.52bn) bid for the Toronto-based mining group.

Barrick's offer is likely to find more favour with Lac directors and shareholders than the hostile bid made earlier this month by Royal Oak Mines of Vancouver.

Mr James Pithlado, Lac's new chairman, said yesterday that "it's always gratifying to be wooed". But be added that the Barrick offer was "still inadequate and doesn't reflect the values that are in this company".

Barrick has offered Lac shareholders a choice between C$4 in cash and 0.31 Barrick shares per Lac share, and an all-paper deal of 0.43 Barrick shares per Lac share.

The offer is valued at about C$14 a share, which is fractionally higher than the Royal Oak bid. However, investors are likely to prefer Barrick paper to Royal Oak, which is a much smaller company with higher cost mines.

Mr Munk said the acquisition could give Barrick a springboard to repeat the rapid growth which it has enjoyed in recent years from tbe development of the Goldstrike mine in Nevada.

Barrick's "experience, capacity and financial wherewithal" could be used to bring substantial reserves at Lac's two Chilean properties rapidly to production, Mr Munk said. Barrick would probably sell some of Lac's six largest properties in Canada.

Lac last week raised its estimates of reserves in the El Indio belt in northern Chile from 3.5m to 7.3m ounces, plus 11.8m ounces in "geological resources."

Mr Munk indicated that Barrick would be able to develop these properties largely from internal resources. There is also potential for "significant" savings in overheads when the two companies are combined.

Existing and potential earnings would more than offset charges, estimated at a maximum of US$50m a year, for amortisation of goodwill.

Barrick shares dipped 88 cents to C$31.50 in early trading on the Toronto stock exchange yesterday. Lac gained 62 cents to C$14.

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NEWS: EUROPE

David Buchan and **John Ridding** on a rash of publicised probes

France's magistrates embark on the corruption trail with Italian gusto

France's magistrates do not have a picture of President Mitterrand on the wall – they have one of Antonio Di Pietro.

This remark by a prominent Paris lawyer reflects the view of some observers that the country's magistrates are being influenced by the example of the high-profile anti-corruption crusade of Milan's magistrates under the leadership of the popular Mr Di Pietro.

Indeed, France's recent rash of highly publicised corruption investigations has raised the question of whether the country is becoming a second Italy, not necessarily in the level of corruption but in the vigour with which French magistrates are matching their Italian counterparts in cracking down on white-collar crime.

"How long have you been the big boss?" Pancho: Le Monde

In pursuing cases that involve some of the largest companies in the land and causing earlier this week that most unusual event in France, a ministerial resignation, many French magistrates are influenced by what is happening in Italy, say critics.

In the process, legal safeguards are being swept aside, complains Mr Pierra Suard, chairman of the Alcatel Alsthom engineering group. After being freed on FFr1m (£120,000) bail, after 12 hours of questioning on allegations of misuse of corporate funds and underpaying Alcatel suppliers for work done to his residence, Mr Suard said: "I don't know whether there is a campaign against big companies, but it seems French legal practices are being violated. In France, investigations should remain secret. If it [the investigation concerning himself] had been, then there would not have been damage to the company and shareholders."

Some go as far as to argue that a new generation of magistrates has at last escaped government control and have decided to take their revenge on an establishment that has long undervalued their work. And others ask who it is that is to blame for the widespread leaking of judicial and police information that is piercing the cloak of secrecy with which French investigations are supposed to be shrouded?

At the heart of the controversy are France's 550 *juges d'instruction*. These investigating magistrates are called in to investigate all felony charges (rape, murder) and any case that is complex (corruption, white-collar crime). They are generally young and not well paid.

According to Mr Valéry Turcey, secretary general of the the largest union among France's 6,000 magistrates, an investigating magistrate starts in his or her mid-to-late 20s on an ordinary secretary's salary of FFr13,000 a month, rising to FFr20,000 after 10 years. A few come to the job late with useful experience but it is not rewarded in pay terms.

They have statutory independence as *juges d'instruction*, and the judiciary's general independence has been reinforced in the past year by a reform of the Conseil Supérieur de la Magistrature which dilutes the power of the executive in determining appointments. Investigating magistrates still know that, to attain the highest reaches of the judiciary, they will have to spend some subsequent stint in the government prosecution service. But many care less what the government thinks of them, if only, as Mr Turcey says, "there is now a generation of juges d'instruction who feel their career advancement is blocked by a sizeable number of older magistrates".

But Mr Turcey insists that investigating magistrates can use their considerable powers to order police searches, interrogate witnesses, detain defendants, only if and when "instructed" by state prosecutors and within limits laid down by prosecutors. Mr Pierre Méhaignerie, the justice minister, has for instance been criticised in the press for leaving police to continue their inquiries into improper party funding allegations concerning Compagnie Générale des Eaux, rather than calling in an investigating magistrate.

But the main complaint of people caught up in recent cases is the way, as Mr Gilles August of the Paris law firm of Sales Vincent Georges puts it, France's "inquisitorial system is being exploited by the media". Secrecy has been of the essence to this "inquisitorial" system that places the quest for truth over the rights of the individual, compared with the Anglo-Saxon "adversarial" system which gives a higher priority to the rights of a defendant in a confrontation with the prosecution that is left to juries to decide.

Thus, French police and magistrates can question a suspect for 20 hours before the latter has the right to have his lawyer present. Only after a suspect has been formally charged, or "put under examination" in French legal jargon, can his lawyer have access to the magistrate's dossier.

This sometimes leads people to demand to be "put under examination" so that they or their lawyer can see the evidence an investigating magistrate has compiled against them. Mr Alain Carignon said he resigned as communications minister in the Balladur government on July 17, precisely in order to contest charges, filed yesterday, concerning allegations that Lyonnaise des Eaux, the other big French water company, bankrolled a newspaper that campaigned for his re-election as mayor of Grenoble in return for getting the city's water contract.

Mr Turcey says "it is defendants who started the business of 'media-tising' cases". Mr Maurice Arreckx, a senator from the Var region in the south, is for instance not yet a defendant, but has a judge on his heels who wants to make him one by bringing charges for corruption. Last Thursday Mr Arreckx used an interview in Le Figaro to proclaim his innocence.

In general, Mr Turcey says investigating magistrates are far too busy, each dealing with an average 120 ongoing dossiers at any one time, to want to bring down a lot of time-consuming publicity on their heads by leaking material to the press. But he concedes that investigating magistrates, and the occasional prosecutor such as Mr Eric de Montgolfier, who has held press conferences during his investigation into possible football bribery by Mr Bernard Tapie, sometimes use the press to forestall attempts by their superiors to smother their inquiries.

Mr Jean-Pierre, he says, "would never have got anywhere in his investigations into Socialist party funding if he had not used journalists".

The justice ministry and the Senate are now beginning to consider how to accommodate inexorable media pressure in high-profile cases with the need for some legal secrecy. One solution, suggests Mr Turcey, would be to try to preserve absolute secrecy up to the point at which a suspect is formally charged, and to abandon it thereafter.

Former minister faces inquiry over alleged misuse of funds

Mr Alain Carignon, former communications minister, was yesterday formally placed under investigation for complicity in the misuse of corporate funds, a week after he resigned his portfolio to contest the charges, writes David Buchan.

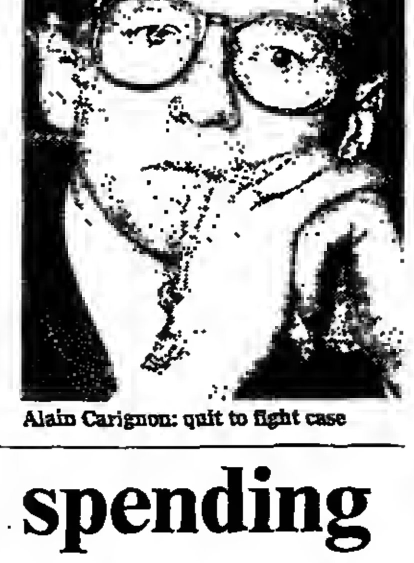
The allegations against Mr Carignon, an RPR Gaullist mayor of Grenoble, concern a possible link between his decision in 1989 to privatise the city's water services and give them to Lyonnaise des Eaux to run, and the latter's subsequent move to take over and wipe out the FFr5.4m (£650,000) debt of a moribund newspaper that had supported his re-election campaign. Mr Carignon denies any connection.

He is one of the very few ministers in recent French political history to stand down in the face of legal problems. He said it would be "unfair for the prime minister [Balladur], whose actions are beginning to bear fruit, to suffer from the media hype" of his case.

In the recent rash of corruption investigations, Mr Carignon was the only ministerial target, though Mr Francois Léotard underwent a similar investigation before becoming defence minister and Mr Gérard Longuet, the trade and industry minister, is still the subject of preliminary inquiries regarding a commission given to a member of his party.

The prime minister is nominally keeping his job open for him, if he can clear his name, by giving the post temporarily to Mr Nicolas Sarkozy, the budget minister. But Mr Carignon seems unlikely to return to a government in which he had a series of territorial disputes with Mr Jacques Toubon, the culture minister.

Mr Carignon was yesterday freed by the Lyons investigating magistrate without bail or condition. Senator Maurice Arreckx, from the Riviera department of the Var, may not escape so lightly. The government prosecutor in Aix-en-Provence is asking the Senate to allow him to detain Mr Arreckx while he investigates corruption charges against him.


Alain Carignon: quit to fight case

Kok coalition would cut social spending

By Ronald van de Krol in The Hague

The Dutch caretaker finance minister, Mr Wim Kok, yesterday put forward a government coalition plan that emphasises "stiff" cuts in social spending and a determined focus on creating jobs.

The proposals, which Mr Kok described as painful but necessary, are designed to break a political deadlock that has prevented the formation of a new government since general elections in May.

The government impasse is partly the result of the inconclusive election, but the search for a coalition has also been complicated by sharp differences over social security reform between Labour and the right-wing Liberals.

Mr Kok called on the country's four main political parties to respond to his proposals by midnight tonight. He then hopes to be able to advise Queen Beatrix within a week on which partiea should launch detailed negotiations on forming a government.

He declined to say which coalition he thought most likely. "This is not a betting shop," he said at a news conference. "I'm not going to make predictions."

However, Mr Kok is likely to be the next prime minister provided his own Labour party approves his programme and agrees to take part in the coalition.

His 59-page document, written at the request of the queen, is the second serious effort to form a government. A previous attempt to put together a coalition between Labour, the Liberals and the left-of-centre D66 party failed in late June after a disagreement on the specifics of social spending policy.

Mr Kok's new proposals call for nearly Fl 18bn (£6.6bn) in total spending cuts, about the same volume as agreed loosely by Labour, Liberals and D66. However, his suggestions on social spending reductions are detailed, meeting an objection raised earlier by the Liberals. His proposals cover many types of "cradle to grave" expenditure that are bound to be controversial.

Child benefit would fall in real terms, student grants would be lowered, early retirement for government officials would be curtailed, and funds for widows and orphans would be reserved for those in genuine need.

Nevertheless, Mr Kok has remained loyal to his Labour roots by shying away from cutting the amount of money paid to social welfare recipients or shortening their period of eligibility for payments.

He also proposed cuts in taxes and social security premiums totalling around Fl 9bn. The goal of the next government should be to get as many people back to work as possible, he said. According to his calculations, some 350,000 jobs could be created over the next four years, more than compensating for the expected entry of 300,000 people on to the labour market in the same period.

The country's budget deficit would remain stable at around 3.3 per cent of gross domestic product next year but would fall to at least 2.9 per cent by 1998.

It is not yet clear whether the outgoing Prime Miniater Ruud Lubbers' Christian Democrats will become part of a new government. If not, this will mark the first time that the party has been relegated to the opposition benches in modern Dutch politics. Mr Lubbers had said at the beginning of his current term that he would not seek re-election.

Bosnian Serbs crank up pressure on UN

By John Lloyd in Moscow and Bruce Clark in London

Bosnian Serb forces appeared yesterday to be ratcheting up their war of nerves with the United Nations, in an ominous hint of how much more trouble they could cause if they are punished for rejecting a peace plan.

UN officials said one civilian was killed and another wounded by Serb gunfire in the Moslem enclave of Gorazde, a so-called total exclusion zone where heavy weapons are potentially subject to Nato air strikes.

The UN also blamed the Serbs for the anti-aircraft fire at Sarajevo airport last week which has forced the suspension of relief flights. The Serbs have denied that they were responsible.

In a third challenge to the UN, the Serbs refused to allow the evacuation of 35 sick people from Gorazde unless all Serb prisoners held by the Moslem-led Bosnian government were released.

Negotiators from the five-nation contact group which has devised a partition arrangement for Bosnia conferred in Moscow yesterday over how to respond to the Serbs' ambiguous reply to the proposal.

A statement by the group said they discussed "additional measures aimed at removing the objections from all sides in the conflict".

The group's members – the US, Russia, Britain, France and Germany – were united in pressing for acceptance of the peace deal but they appear divided over how to cope with the plan's apparent failure. No firm decisions are expected until the group's foreign ministers meet in Geneva at the weekend.

Mr Igor Ivanov, the Russian first deputy foreign minister who chaired the meeting, said before it began that the group would continue to strive for acceptance of the latest peace plan – accepted by the Croat-Moslem alliance but effectively rejected by leaders of the Bosnian Serbs.

"We believe we have a plan that is balanced and realistic and reflects the interests of all sides," Mr Ivanov said. "It would hardly be expedient to abandon it."

General Pavel Grachev, the Russian defence minister, will arrive in former Yugoslavia today, where he is expected to meet Serbia's President Slobodan Milosevic and possibly the Bosnian Serbs as well.

Gen Grachev has often been in direct communication with General Ratko Mladic, head of the Bosnian Serb army, and the Russian minister may be one of the few people who can exercise any influence over the Serb commander.

Diplomats believe the Russians would welcome some show of flexibility from the Serb side, whose intransigence could threaten the broader relation between Russia and the west. But any unilateral moves against the Serbs could arouse an angry reaction in Moscow.

Yesterday, Russia announced a wide-ranging defence co-operation agreement with Greece calling for joint exercises, possible co-production of weapons and the exchange of information on defence matters.

Greece is the only European Union member which shares Russia's traditional sympathy for the Serbs.

Mr Gerasimos Arsenis, the Greek defence minister, said that the positions of Athena and Moscow about the situation in Bosnia were close.

EUROPEAN NEWS DIGEST

Belgium avoids harsh measures

Mr Jean-Luc Dehaene, Belgian prime minister, yesterday announced a relatively palatable budget for next year, which included no significant tax increases nor large cuts in public spending. Higher than expected growth this year, plus revenue from privatisations, meant that Mr Dehaene was able to present a package that he said would not take the budget deficit above 4.3 per cent of GDP, the target for next year. Last year the budget deficit was 7.2 per cent of GDP and this year it should fall to 5.7 per cent. The long-term aim is to reduce the deficit to 3 per cent of GDP to meet the Maastricht treaty's criteria for monetary union by the end of 1996. The government considers that measures taken in its ousterity Global Plan last November were sufficient to keep the budget deficit under control. These reined in spending on social security and froze wages in real terms for three years. The plan prompted considerable social unrest. Next year's fairly soft budget, however, seems to have been framed with October's local elections in mind. The budget was drawn up on the basis of estimated GDP growth of 1.7 per cent this year rising to 2.6 per cent in 1995. *Emma Tucker, Brussels*

Camdessus to hold Kiev talks

Mr Michel Camdessus, managing director of the International Monetary Fund, is scheduled to make his first visit to Ukraine tomorrow to discuss financial aid in a signal that the new Kiev government is committed to painful economic reforms. Mr Camdessus' trip echoes his role in Russia, where he negotiated a loans agreement in spring which bolstered Moscow in pursuit of economic reforms. Meanwhile, Ukraine's repeat parliamentary polls, held on Sunday, left 92 seats unfilled and elected only 20 new MPs of centrist and moderate orientations, according to preliminary results from the Central Election Commission. Low turnout disqualified 47 districts, which will conduct further repeat elections later this year. In another 45, no candidate won enough votes and the top two contenders will hold run-offs on August 7. Observers predicted that even this small infusion of moderates would help to minimise the domination of Communists and leftist allies in the 450-seat parliament, because factions are so small. There are nine factions in Ukraine's parliament and three-quarters of MPs were elected last March and April. *Jill Barshay, Kiev*

Troops top Estonia agenda

The first summit meeting between Russian President Boris Yeltsin and Estonian President Lennart Meri will take place today in Moscow. Top of the agenda will be discussion of the promised departure of Russian troops from the former Soviet republic by the agreed date of August 31. Russia's compliance is seen as a key indicator of its will to recognise fully the Baltic state's independence. Russian diplomats yesterday talked down expectations of a breakthrough on another contentious issue, the residence and pension rights for 10,000 former Soviet military and security officers. But one, Mr Alexander Udaltsov, told the news agency Interfax that the meeting "may give an impetus to resolving many controversial issues". These include the dismantling of the nuclear submarine training base at Paldiski and Estonia's claim to two strips of territory recognised as Estonian by the 1920 Tartu treaty with Russia and now under Russian control.. *John Lloyd, Moscow*

French nuclear waste claim

Cogema, the French nuclear fuels agency, yesterday rejected allegations by Greenpeace, the environmental organisation, that its proposal of more generous terms on nuclear fuel recycling and waste to a German customer, PreussenElektra (PE), had broken French law. Revealing a May 1994 letter from Cogema to PE, which belongs to Veba of Germany, Greenpeace said Cogema was offering to "keep not only [PE's] plutonium but also the majority of the waste, in France", in defiance of France's 1991 law banning the long-term storage of foreign nuclear waste in the country. A Cogema director denied that any such offer to PE had been made, saying that "we try to recycle what we can and to treat the rest as best as possible". He added that "Greenpeace has its opinion, we have ours and the customers will decide" *David Buchan, Paris*

Court move on Mitsotakis

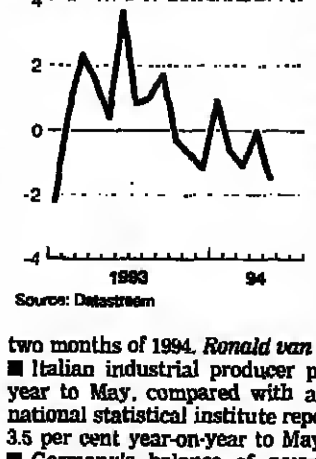
The Athens appeals court council has called for confidentiality rules to be lifted on bank accounts held by Mr Constantine Mitsotakis, the former Greek prime minister, as part of an investigation launched earlier this year into accusations that he took bribes while in office. Mr Mitsotakis is accused of accepting a $22.5m (£14.5m) bribe in the 1992 sale of Heracles General Cement, the state-owned Greek cement producer, to Cal-Nat, a joint venture between Calcestruzzi, the construction arm of Italy's Ferruzzi group, and National Bank of Greece. The Dr124bn (£337m) deal was the biggest privatisation carried out by Mr Mitsotakis' conservative government. Once the investigation is complete, the Socialist-controlled parliament will vote on whether to lift his immunity against prosecution. Mr Mitsotakis, now a backbencher, also faces charges of illegally tapping the telephones of political rivals while in office, in a case being pursued by deputies from the governing Panhellenic Socialist Movement. *Kerin Hope, Athens*

Plea for Craxi jail term

A Milan public prosecutor asked a court yesterday to sentence Italy'a former prime minister Bettino Craxi to 11 years in jail for fraudulent bankruptcy in the collapse of Banco Ambrosiano, the Italian bank, court sources said. The prosecutor asked for 10 years' jail for Mr Claudio Martelli, former justice minister and once Mr Craxi's deputy in the Socialist party, and seven years each for Mr Leonardo Di Donna, former vice-president of state energy group Eni, and Mr Licio Gelli, former grandmaster of the banned P2 Masonic lodge. Mr Craxi and Mr Martelli are accused of having accepted several million dollars from Banco Ambrosiano before it collapsed in 1982. Mr Craxi, who faces two other trials in Milan and about 20 investigations in connection with alleged corruption, has been at his holiday home in Tunisia for months; his lawyers say he is too ill to travel. *Reuter, Milan.*

ECONOMIC WATCH

Dutch sales picture mixed



Dutch retail sales fell 1.5 per cent in real terms in May, the first decline since January. However, the central statistical office blamed the downturn on one fewer Saturday in the month than May 1993. If corrected for that difference, the retail sales index actually rose by 1.7 per cent. The statistical office also reported yesterday that the Netherlands' trade surplus widened to Fl 1.7bn (£630m) in March from Fl 1.5bn in February and Fl 1.2bn in March 1993. The increased surplus extends the higher trend seen both in 1993 as a whole and in the first two months of 1994. *Ronald van de Krol, Amsterdam.*

■ Italian industrial producer prices rose 3.2 per cent in the year to May, compared with a 3 per cent rise in April, the national statistical institute reported. Wholesale prices rose by 3.5 per cent year-on-year to May 1994.

■ Germany's balance of payments surplus on the capital account widened in May to DM8bn (£3.3bn) from DM2.3bn in April and DM6.5bn in May 1993, according to data published by the Bundesbank yesterday.

Treuhand's final debt to total DM270bn

By Judy Dempsey in Berlin

Germany's Treuhand privatisation agency will have accumulated debts of DM270bn (£110.6bn) when it ceases operations at the end of this year. Then, its financial requirements will be met directly by the federal budget, Mr Heinrich Hornef, the agency's financial officer, said yesterday. The debt, DM5bn lower than recently forecast, will be financed from next year by bank loans and government guaranteed medium-term notes. Mr Hornef said it will take "another generation to pay off" the deficit.

Total receipts from privatisation sales since June 1990 would exceed DM53.2bn. It was believed originally that the sale of some 13,000 eastern German enterprises through the agency would raise more than DM600bn but these early estimates were rapidly hammered by the cost of German unification and collapsing eastern European markets.

The Treuhand was provided with DM7bn start-up capital in June 1990 and this was supplemented by DM10bn the following year. Once the ruinous state of east German industry became clear, the ceiling for new borrowing in 1990 and 1991 was raised to DM25bn. In 1992, the agency was granted a credit line of DM38bn annually. These have all been consumed.

Until now, the deficit has been financed through three different channels: bank credits, bonds, and medium-term notes. The agency has already issued DM160bn in long-term debt, and expects to do the same with an additional DM50bn. The remaining DM60bn of the total deficit will be broken down, with DM23bn financed through debt rescheduling, DM25bn through the capital markets, and the remainder carried over to the federal budget next year.

Since the Treuhand will no longer exist after this year, its total debts, along with all other debts of the former east Germany, will be assumed by the Unwelcome Legacy Repayment Fund set up after German unification in 1990.

The agency's financial requirements for 1995 onwards will total DM45bn. The government has made provisions in the federal budget for annual expenditure of about DM6bn. Treuhand contributions to next year's budget are expected to total DM5.4bn, rising to DM6.5bn in 1996.

Nevertheless, the Treuhand has still to privatise some key elements of the east German economy, which may increase its debt and financial requirements. These include:

- Laubag, the region's largest brown coal field. A consortium led by Rheinbraun, a subsidiary of RWE, Germany's largest utility, is expected to make a down-payment of DM2.1bn for Laubag, and a further commitment of DM6bn over the next 20 years. However, it is still unclear how much the Treuhand will have to pay in redundancy payments for restoration of brown coal fields to be closed.
- Veag, eastern Germany's largest electricity utility, which will be sold to a consortium led by RWE, and including PreussenElektra and Bayernwerk. The consortium is expected to pay DM8bn for Veag and invest DM40bn over the next two decades.
- The sale of Buna, the chemical works in Saxony-Anhalt, and the modernisation and privatisation of Leuna, the other chemical and oil refinery complex.
- Eko Stahl, the loss-making steel mill in Brandenburg which the agency had hoped to sell to Riva, the Italian privately-owned steel manufacturer, until Riva pulled out in May.

According to a recent Bundesbank report, the main part of the Treuhand financial legacy will impose a "pro rata burden of DM17bn per annum on the federal budget, which will arise from the Unwelcome Legacy Repayment Fund". It added that "the envisaged debt itself will only be redeemable in the course of a generation."

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US auctions radio bands

By Jeremy Kahn in Washington

The US government began auctioning new radio bands yesterday, in an unprecedented move which could raise billions of dollars for the Treasury.

The Federal Communications Commission, which has previously given away its licences through lotteries or hearings, was last year given congressional approval to auction exclusive rights to e range of new frequencies which can be used for the next generation in paging, telephone and voice and data communication systems.

The Congressional Budget Office predicted the auction could raise $10bn.

The process began yesterday as 29 bidders competed for e group of 10 nationwide licences for "narrow band" frequencies. These can be used for advanced paging systems, two-way pagers, and wireless modems and faxes.

At the end of the first hour of bidding yesterday morning, two contenders alone had bid more than $104m for all the frequencies. Bidders are identified only by a numerical code until all rounds are concluded.

Because FCC rules allow a company to buy only three of the 10 bands, it is likely that the two companies will have to withdraw bids for some of the frequencies, which might lower the amount the government receives.

However, FCC officials said that the first round looked promising. "This totally exceeded the most rosy projections," said Congressman Edward Markey, who was instrumental in the FCC securing permission to hold the auction, announcing the first round results.

The bids ranged from $6.25m to $20m, depending on the frequency and its capabalities.

The bidding for the first 10 bands is expected to continue until Thursday, but may end earlier if a few companies continue to out-bid their competitors by large amounts.

The FCC will then begin to auction regional narrow-band service licences and licences for inter-active video and data services. By the end of the year, the FCC expects to have sold 3,500 narrow-band permits, 1,400 inter-active licences and 2,000 permits for the next generation of mobile telephone services, collectively known as "broad-band" services.

PRI 'set to win' in Mexico

By Damian Fraser in Mexico City

The ruling party in Mexico is set for a comfortable victory in the presidential election next month, according to a new opinion poll by the Indemerc/Louis Harris organisation.

It gave Mr Ernesto Zedillo, candidate of the ruling Institutional Revolutionary Party (PRI), 50.3 per cent support, against 32.2 per cent for Mr Diego Fernández de Cevallos of the centre-right opposition. Mr Cuauhtémoc Cárdenas, candidate of the left, was shown as s poor third on 13.4 per cent.

Opinion polls are very controversial in Mexico. Some analysts contend that respondents are unwilling to reveal opposition to the governing party, which has been in power for 65 years. Pollsters emphasise that preferences are unusually volatile this year and that the final result will probably be affected by the turnout on August 21, which is hard to predict.

However, the Indemerc/Louis Harris poll was based on 2,550 interviews in 25 states, making it much more extensive than most polls in Mexico. It was paid for by members of Mexico's Chamber of Radio and Television.

Campaigner Fernández holds the baby, but is he slipping? Reuter

Mr Zedillo's big lead is st odds with recent polls by Mori of Mexico, which show Mr Zedillo and Mr Fernández neck and neck. But the Mori poll is based on e sample of about 300 from five main cities, giving it a larger margin of error.

The Indemerc/Harris poll showed Mr Zedillo leading by 56:24 per cent in rural areas, by tradition strong PRI ground. In the cities, Mr Zedillo had 47:37 per cent over Mr Fernández.

Mr Fernández has been affected by his low-key campaign since e television debate in May, which he was judged to have won. The poll shows his support then at a peak of 41 per cent, several points ahead of Mr Zedillo. Since May, though, his support has slipped and Mr Zedillo has gained.

Argentine death toll put at 80

Rescuers yesterday pulled 22 more bodies from the wreckage of the building which had housed the main Jewish centre in Argentina, bringing the confirmed toll from the bombing there last week to 80 dead, Reuter reports from Buenos Aires.

Jewish groups say 20 more people are still missing.

General Meir Livne, who heads an Israeli army rescue team, said his group would finish its task late yesterday or early today. It had given up all hope of finding survivors.

"The state of the bodies we have recovered means there is no hope," Gen Livne said.

Rescue team members had raised hopes when they arrived last week, saying people had been known to survive up to six days in earthquake ruins where they had worked.

The blast destroyed the Jewish centre on the morning of July 18. It was the second such attack against Jews in Buenos Aires in two years – 30 people were killed by a car bomb at the Israeli embassy in 1992.

Mr Uzi Baram, Israeli tourism minister, was to meet Argentine President Carlos Menem yesterday to ask the latter's government to do its utmost to catch the bombers.

Rights threat in Venezuela

By Joseph Mann in Caracas

President Rafael Caldera of Venezuela raised the stakes in his battle with Congress at the weekend, saying the losing side in a proposed referendum – the administration or the Congress – should resign.

The confrontation erupted last Friday when a joint session of Congress voted to restore five out of six constitutional rights which Mr Caldera had suspended 24 days earlier.

Later on Friday, the executive said it had suspended the same rights again.

These grant protection against arbitrary arrest and police entry into privete homes, the right to free movement in and outside national territory, the right to own property, and protection against expropriation without due process and indemnity.

The administration asserted that conditions were not yet right for the restoration of these constitutional liberties, which are ordinarily suspended only during civil or military upheaval.

In announcing the renewed suspension, Mr Caldera said he would be willing to call a national referendum on the suspension. After an opposition politician had said the government should resign if a majority rejected the president's line, Mr Caldera asserted that Congress should resign if the referendum supported him.

This has annoyed Congress, which is controlled by three political parties (Democratic Action, Copei and Radical Cause) in opposition to Mr Caldera.

One Democratic Action member warned that his party might call for a vote of censure against several members of the president's cabinet.

With the constitutional rights suspended, the administration has raided food stores in search of "profiteers" and "hoarders", confiscated property alleged to be linked to bank fraud, seized merchandise over illegal price increases, and rounded up hundreds of suspected law-breakers in the cities.

If Mr Caldere manages to hold a national referendum on the constitutional rights issue, it is not clear that either side would actually step down.

If the government were to resign, the president could simply replace it. The constitution specifies a succession procedure, but does not provide a procedure for replacing e Congress that resigns.

Business treads warily across Quebec divide

Bernard Simon on concern that a likely separatist campaign after poll may be bad for economy

The head of a Canadian think-tank offered a word of advice at a recent dinner party to the new public relations chief of a Toronto mining company: Make sure, he said, that your chairman keeps his mouth shut on Quebec.

The election in the francophone province, called by Premier Daniel Johnson for September 12, will have a profound impact on Canada's business climate. The question of what role business leaders should play in the campaign and in the period after the poll has become a pressing issue in executive suites.

The separatist Parti Québécois is now well ahead of the ruling Liberals in opinion polls. The PQ has promised if it wins it will hold a sovereignty referendum within a year.

Polls show that a clear majority of Québecois do not favour independence. Their support for the PQ appears to be based mainly on the desire for a change in government after nine years of Liberal rule.

Beaudoin: Risks of skidding

Nevertheless, e PQ government can be expected to step up the pressure to wrest more powers from the federal government in Ottawa and to create as many trappings of sovereignty as possible. Mr Jacques Parizeau, the PQ leader, responded to the election call by pledging to end Quebec's participation in efforts to overhaul Canada's social security system and other federal initiatives which require the provinces' co-operation.

The PQ's interventionist economic platform, which has so far received little attention on the hustings, has also raised concerns in business circles. Mr Parizeau has said that he plans to make fiscal discipline a lower priority than economic growth. Measures to contain the budget deficit are expected to centre on higher taxes rather than spending restraint.

Uncertainty over Quebec's future has already had an unmistakable economic cost. Interest rates have risen more sharply in Canada than the US this year. Investor nervousness is especially evident in the provincial bond market. Medium-term Quebec bonds offer a yield 92 basis points (92/100ths of 1 per cent) higher than equivalent government of Canada bonds. The spread on bonds issued by neighbouring Ontario is only 45 points.

Business leaders worry that a PQ victory could cloud the investment climate for years to come as the independence debate rages on.

Mr Laurent Beaudoin, chairman of Bombardier, the Montreal-based transport equipment maker, told his company's annual meeting last month that the PQ's agenda "will bring with it high risks of skidding, of numerous setbacks (and) of confrontation within Quebec, and between Quebec and its partners".

Fears of political and economic paralysis in the run-up to an independence referendum are likely to feature prominently in the Liberals' campaign over the next seven weeks.

Mr Beaudoin added that "those of us who believe that by choosing (sovereignty) Quebeckers are taking the wrong direction should now express their opinion publicly."

Few have heeded his call so far. Indeed, corporate chiefs in Toronto and other parts of English-speaking Canada think that following Mr Beaudoin's advice may do their cause more harm than good.

Mr Tom D'Aquino, president of the Business Council on National Issues, which represents the chief executives of Canada's 150 biggest companies, says that "outside involvement in the debate on the election issues would not be terribly productive, and could be counter-productive". While BCNI members "are doing our homework, we're doing it quietly".

Separatists have in the past skilfully turned warnings about the cost of independence to their advantage by accusing big business of blackmailing and frightening Québecois.

The most celebrated example took place in 1992 at the height of a referendum campaign on the Charlottetown Accord, a package of constitutional changes that were designed to mend fences between Quebec and the other nine provinces. Royal Bank of Canada, the country's biggest financial institution, was vilified in Quebec for releasing a study which concluded that "political disunity" could slash Canada's gross domestic product by 18 per cent within eight years and shrink incomes by an average of C$4,000 (£1,869) a person.

Mr Beaudoin's outspokenness is even the exception in the clubby world of Quebec business and politics, where pressure in the francophone community to stand together against outsiders is strong.

Tactics are likely to change however, if and when a PQ government sets a referendum campaign in motion. "The home-town team now, the national team later," says Mr D'Aquino. The risk is that once a separatist government is installed in Quebec City, the momentum towards a breakaway will become more difficult to stop.

China sees 50% jump in reserves

By Tony Walker in Beijing

China's foreign exchange reserves at the end of June had jumped by 50 per cent over last year to $31.8bn (£20.5bn) because of increased exports and the effects of a currency devaluation.

Mr Zhu Xiaohua, a deputy governor of the People's Bank, China's central bank, said the increased reserves indicated a "aound performance of the national economy".

Western bankers in Beijing attribntad the healthier reserves to the government's tight money policies which had restrained imports in the first half of the year.

The depreciation of the yuan against the Japanese yen and the D-Mark had boosted exports to two of China's bigger markets. The Chinese currency, which is not convertible internationally, tracks the US dollar.

China's export performance improved markedly in the first four months of the year following a deficit last year of $12.2bn. Export growth rebounded by 22 per cent to April compared with a sluggish 8 per cent in 1993.

Import growth slowed to 20 per cent in the January-April period compared with growth last year of 30 per cent. Economists are forecasting a smaller trade deficit this year.

The unification of China's multi-tiered currency at the beginning of the year and the establishment of an interbank money market had also bolstered the country's reserves.

But western experts warned that China's foreign exchange reserves remain a murky issue. Beijing is now providing what it says are figures for reserves beld solely hy the central bank.

Previously it had combined the reserves of both the People's Bank and Bank of China, China's specialised foreign currency bank.

China's debt service ratio (interest payments as a percentage of exports and net private transfers) was expected to he in the range of 8-10 per cent this year, according to a Morgan Guaranty survey.

● Some $11.7bn and HK$5.4bn (£454m) was traded in Shanghai's new foreign exchange market between April 1 and the end of June, the official China Daily newapaper reported yesterday.

The establishment of tbe Shanghai market was part of far reaching reforms of China's foreign exchange system aimed at achieving full convertibility for the Chinese yuan within about 5 years.

Chinese officials will not be drawn on the timing of such a step, but make no secret of the fact that turning the yuan into a "hard currency" is one of their priorities.

Rare moment of sun for Christopher

By Jurek Martin, US Editor, in Washington

Mr Warren Christopher has not enjoyed many unquestioned bours in the sun since he became secretary of state in the Clinton administration 18 months ago.

Bnt yesterday's Israeli-Jordanian summit in Washington offered bim sucb a moment, for there is no foreign policy issue to which he has devoted such unremitting attention as the various Middle East peace processes.

He has conducted three sbnttle missions to the region already this year and plans a fourth in the second week of next month. He has Israel and Syria engaged in indirect peace negotiations. Even when apparently, if temporarily, bypassed – it was the secret Norwegian channel which got Israel and the Palestine Liberation Organisation talking – he and Mr Dennis Ross, his able Middle East assistant, have always been around to nndge the process further.

Middle East policies have long carried great weight for US secretaries of state, perhaps exceeded only by relations with the former Soviet Union. It was Mr James Baker in tbe Bnsb administration, who brought governments from the region together in Madrid in 1991 after the Gulf War. The Camp David accords rank high in the achievements of President Jimmy Carter and Cyrus Vance. Henry Kissinger's shuttle diplomacy in the 1970s involved negotiations as ardnons and complex as Mr Christopher's.

Pilloried though he has freqoently been on any number of foreign policy issues, and with even his tenure the subject of endless speculation, nobody has ever questioned Mr Christopher's dogged determination and patience, qualities that seem to pay particular dividends in the frequently incremental progress made in the Middle East.

Other volatile crises of the moment – Haiti, Bosnia, Somalia, Rwanda, even relations with Russia – have often evolved at such speed that Mr Christopher has not always given the impression of being on top of them.

The constant demand of his critics that he ennnciate an over-arching vision of US foreign policy also does not exactly play to his strengths. The recent shift of Mr David Gergen, the spinmeister extraordinaire, from the White House to the State Department reflected recognition of this deficiency.

In a collegial – and sometimes reactive – administration like President Clinton's, Mr Christopher and a State Department in which personnel changes at the npper levels have been constant, have not necessarily emerged as the dominant players in many of these exigencies. The ball on Haiti, for example, has been carried more by the National Security Council, the Pentagon and the Central Intelligence Agency than by the secretary of state.

But the Middle East has always been different, for both strategic and personal reasons. In the long Iranian hostage crisis of 1979-81, it was Mr Christopher, then deputy secretary of state, who spent long weeks negotiating in Algeria and elsewhere.

His familiarity with both the players and shifting policies of the region has never been doubted. But, leaving nothing to chance, it was he who persuaded Mr Ross last year to stay on in the new administration to provide continuity.

Mr Clinton gave him his due yesterday on the White House lawns, saying that nobody had done more than Mr Christopher to bring King Hussein and Mr Yitzhak Rabin together. The secretary of state, his eyes discreetly hidden by dark classes, allowed a small smile to lighten up his well-lined face.

Israeli warriors to fore at summit

By Julian Ozanne in Washington

Veteran soldiers of wars against Jordan, relatives of the war dead, and the few Israelis with any links to Jordan largely made up the delegation Mr Yitzbak Rabin, Israeli prime minister, hrought to Washington for yesterday's historic summit.

At a time of peace, tbe emphasis on battlefield losses may seem strange. Yet it is a peculiar tradition of Mr Rabin's to emphasise throughout the Middle East peace process tbe memory of Israel's sons who sacrificed their lives to defend the existence of the Jewish state in the face of Arab aggression.

Mr Rabin, as chief of army staff, was responsible for the Israeli victory in the 1967 Six Day War and the occupation of Arab lands. The warrior turned peacemaker never completely shed his professional soldier personality, and feels much more comfortable surrounded by military men.

Among the delegation are reserve Maj Gen Dani Matt who was a commander in the 1948 Arab-Israeli war and was taken prisoner by Jordan in the bloody battles at Gush Etzion and paraded through the streets of Jericho on his way to Amman; Dr Sharon Regev, tbe eldest son of Colonel Arik Regev, who was killed in 1968 during operations in the Jordan Valley against Palestinian guerrillas infiltrating Israel from Jordan; and Shimon Kahaner, one of the paratroopers who fought successfully in 1967 to capture the old city of Jerusalem from Jordan.

Mr Rabin also invited the few Israelis who were involved in early political talks with Jordan including Mr Avraham Deskel, the 89-year-old director of a power station. Mr Deskel knew King Abdallah, the grandfather of King Hussein who was assassinated in Jerusalem in 1952 by extremists opposed to his peace overtures towards Israel.

Mr Rabin's preference for soldiers and relatives comes at the expense of Israeli politicians. Mr Shimon Peres, the foreign minister who has done so much to make the Middle East peace process a success, was only invited by Mr Rabin to attend the summit at the last minute, reflecting a decades old personality and power conflict between the two men.

Jordan's opposition parties staged a rally in Amman yesterday, describing the US summit as a national catastrophe — Reuter

Oil strike threat to foreign workers

Foreigners working for multinational oil groups in Nigeria said yesterday they were taking seriously threats by striking oil unions and pro-democracy groups against expatriate strike-breakers, Reuter reports from Lagos.

An oil industry official said the threats had forced companies to tighten security at terminals.

Both striking oil unions, Nupeng and Pengassan, have warned oil companies that action would be taken if expatriate staff did not stop work and back the strike to force an end to military rule in Nigeria and gain better management of the oil industry.

The unions blame the use of expatriate staff and some senior Nigerian management staff for the failure of tbe strike, now in its fourth week, to cause serious disruption to crude oil production and exports.

BCCI hearings adjourned

The Abu Dhabi appeals court yesterday adjourned until September 7 bearings called hy defence and prosecution following the conviction last June for fraud, embezzlement, theft and mismanagement of 11 out of 12 former officers of Bank of Credit and Commerce International, Robin Allen reports from Abu Dhabi.

The twelfth man, acquitted on June 14, is being held pending appeal.

Three of the 12 were missing from the latest hearing on Sunday.

They were BCCI's founder and former president, Mr Agha Hassan Abedi, wbo was sentenced to eight years in absentia and is an invalid in Karachi; Mr Mohammed Swaleh Naqvi, who was sentenced to 14 years in absentia and bad already been extradited to the US to stand trial on BBCI-related charges following an agreement between Abu Dhabi and the US justice departmeot; and Mr Ziauddin Ali Akbar, who is in jail in London.

Mr Mohammed al-Dhahiri, United Arab Emirates attorney general, is appealing against the acquittal last June of Mr Iqbal Ahmed Radhwi.

Gambian pledge on democracy

Gambia's new leaders pledged yesterday to name a democratic government as soon as possible following their weekend coup and partially lifted a dusk-to-dawn curfew, Reuter reports from Banjul.

"We will never introduce dictatorship in this country because the average Gambian is being nurtured with democracy," Lieutenant Edward Singhatey, 25, a member of the five-man ruling military council, said.

Ousted president Sir Dawda Jawara arrived in Senegal on Sunday evening with about 40 relatives and officials and was granted political asylum on humanitarian grounds.

In Banjul, diplomats said people were going to work normally on Monday but the airport and land borders were still closed. Officials said the curfew had been relaxed to midnight to 6 a.m. instead of 7 p.m. to 7 a.m.

Russia to sell seven rockets to India

By John Lloyd in Moscow

Russia has agreed to sell seven cryogenic rocket engines to India, in spite of US objections, an Indian government minister said yesterday.

Mr Ragbunandan Lal, the minister of state for external affairs, told parliament in New Delhi that the rockets would not be accompanied by a transfer of technical data enabling India to make the rockets.

Mr Lal's assurances contrast with the claims by Indian scientists last year that drawings and other technical specifications had been acquired from Russia.

The US had protested that the deal, worth about $250m, violated the Missile Technology Control Regime. The MTCR seeks to halt the spread of rocket technology, particularly to the developing world. Russia, initially adamant that it would go ahead, suspended the deal.

Mr Lal said tha deal stipulated the delivery of four rockets now and three more later. Cryogenic rockets are powered by low-temperature fuels such as liquid hydrogen and oxygen.

India, a key non-communist ally of tbe former Soviet Union, is widely believed to be a nnclear threshold power, engaged in producting its own nuclear delivery system.

Australian transport groups end price case

By Nikki Tait in Sydney

TNT, the large Australian transport group, and Ansett Transport Industries, a related company, have withdrawn their defence against a case of alleged price-fixing brought by the Australian Trade Practices Commission, deciding that it would be preferable to face a substantial penalty rather than continue the legal fight.

The TPC is Australia's main competition watchdog, and the case, which was filed in 1992, centred on an alleged cartel in the express freight business during the 1980s.

The case had been brought against TNT, Ansett Transport Industries, Mayne Nickless, another big Australian transport company, plus a number of individuals, under section 45 (2) of tbe TPC Act. This prohibits market-sharing agreements between companies or curbs on the supply of goods to decrease competition.

Yesterday, Mayna declined to comment on TNT's decision, or to say whether would follow its fellow defendants' example.

In a statement, TNT and Ansett Transport Industries said the move to withdraw a defence had been taken "for purely commercial reasons".

The case had not been expected to reach a hearing until next year, and this would have lasted several months.

Asia-Pacific forum opens in harmony

By Victor Mallet in Bangkok

Asia-Pacific nations celebrated the end of the cold war yesterday by launching the Asean Regional Forum (ARF), a multilateral security group that includes China, Russia, the US and 15 other members.

Foreign ministers pnt forward numerons proposals for improving security, inclnding measures to prevent weapons proliferation, and the establishment of a regional peacekeeping centre. ARF members are expected to decide which ideas to implement at their next ministerial meeting in Brunei in 1995.

For alphabetical reasons Vietnam, represented by Mr Nguyen Manh Cam, the foreign minister, and the US, in the form of Mr Strobe Talbott, deputy secretary of state, found themselves in adjacent armchairs at the meeting in a Bangkok hotel.

Several participants remarked on how the end of the cold war had put a stop to old confrontations bnt created new uncertainties. "Many interlocutors said that five or 10 years ago it wouldn't have been possible to have these ministers discuss things – and it was in a harmonious way," said a Canadian official. "This was a historic first meeting and got off to a good start," said another.

Territorial claims in the South China Sea, the North Korean noclear crisis and the problems of Burma and Cambodia were among the issues raised.

Mr Qian Qichen, Chian's foreign minister, sought to allay Asian fears of Chinese expansionism hy reiterating that "China does not engage in aggression or expansion, or seek hegemony".

Mr Roberto Romulo, foreign minister of the Philippines – which, like China and four other countries, lays claim to islands in the South China Sea – suggested that the varions military garrisons on the atolls of the Spratly archipelago should communicate through a common radio frequency and play volleyball with each other to rednce tensions.

Zaire bank governor defies suspension

Zaire's central bank governor Ndiang Kaboul ignored his suspension and turned up for work as usual yesterday in defiance of prime minister Kengo Wa Dondo, Reuter reports from Kinshasa.

Colleagues applauded Mr Ndiang, who was suspended on Friday pending an audit of recent bank transactions, as be arrived at his office in the Bank of Zaire.

But a board meeting to discuss the crisis at the bank was chaired by the man appointed as his temporary replacement, deputy governor Matomina Kiala, bank officials said.

Mr Kengo's government has accused Mr Ndiang, in the job since February, of flooding Zaire's black market with millions of newly printed zaire notes, sending the national currency into a disastrous downward spiral and triggering hyper-inflation.

They say the governor, appointed by President Mobutu Sese Seko, ordered notes to be printed for friends, influential politicians and army generals.

In an interview with an opposition newspaper, Mr Ndiang angrily denied the charges. He challenged the legality of his suspension and said he had asked President Mobutu to rule in the matter.

"A governor of the central bank, appointed by presidential command, who enjoys a certain autonomy and prestige thanks to the importance of the institution, cannot be suspended or fired any old way," he told the newspaper Le Potentiel.

"I am ready to show all the accounts and outgoings for the bank from the start of my mandate until the present day. I demand that justice be done," he added.

He said he was launching legal proceedings against finance minister Pay Pay Wa Syakassighe, who compiled a damning report on the Bank of Zaire'a activities, for abuse of position, denigration of character and drawing up a false report.

The currency, the zaire, a reliable barometer of public sentiment, firmed to 1,050 to the US dollar from 1,400 before the governor's suspension.

Politicians catching up with Japan's military

Post-cold war adjustment has preceded its new legal right, reports William Dawkins

Vice admiral Kazuya Natsukawa, commandant of Sasebo naval district, covering the vital sea lanes off southern Japan, has just been given the legal right to do his job.

It was granted by his commander-in-chief, the new socialist prime minister Tomiichi Murayama, who last week clarified nearly 50 years of muddled debate on Japan's pacifist constitution by declaring that his party had dropped its belief that Japan had no right to maintain armed forces.

Mr Murayama's about-turn, supported by just more than 60 per cent of his party members, makes little practical difference to the role of vice admiral Natsukawa's ships. The vice admiral confesses in any case to polite scepticism over the prime minister's pronouncement.

Nor does it affect the big changes among Japan's pragmatic defence planners, as they start to adjust, irrespective of Japan's political turmoils, to the regional instability that has followed the end of the cold war.

That much was clear wben vice admiral Natsukawa led his ships on manoeuvres off the southern port of Kagoshima recently, honing their ability to respond to whatever threat an unstable north-east Asia might throw at them. He admitted, with a frankness that might startle his political masters, that his forces are technically ready to support a US naval blockade of North Korea, should there be call for one.

"We would rather call it a sea intervention than a blockade," he adds, in a nod to political delicacy.

For the first time, a national self defence agency white paper published this year singles out North Korea – "a serious destabilising factor" – rather than Russia as the main threat to regional security.

What this means for the practical organisation of Japan's military should become clearer early next montb when a government panel, appointed by former prime minister Morihiro Hosokawa in February, is due to publisb the first overhaul of defence policy for 18 years.

One message, according to an early draft of the report, is that Japan must be less reliant on tbe US – whicb keeps 24,000 troops on the archipelago – for its protection, because the end of the cold war has reduced Japan's strategic value to Washington's security. That implies more spending on defence electronics, such as anti-missile systems and the possible acquisition of Japan's first spy satellite, say officials.

The panel will also encourage the government to follow otber world powers in cutting tbe overall defence budget. Pacifist Japan has become in recent years the world's second-largest defence spender after the US, with a defence budget this year of Y4,679bn (£30.6bn). This is, bowever, purely a reflection of the yen's strength and the self defence force's high wage and pensions bill.

The forces actually in use are in line witb Japan's low military profile, even if hard to reconcile with the strict wording of tbe constitution's pacifist article 9, that "war potential will never be maintained". Less than a quarter of Japan's defence budget goes on equipment, about 80 per cent of whicb is made by Japanese companies, often under licence from the US.

At just less than 1 per cent of gross domestic product, conveniently below the mark considered a political flashpoint, Japan devotes less of its wealth to defence than do Germany or Italy. The total tonnage of its 160 navy ships makes the Japanese navy smaller than that of Britain or France. Its 150,000 troops, already well below the authorised ceiling of 180,000, makes the Japanese army slightly larger than Britain's.

The government has already started to trim military spending and both the dominant Liberal Democratic party and its Social Democratic party allies are keen to continue this process. This year's defence budget marks a 0.8 per cent nominal rise over 1993, the smallest increase in 34 years, and a fall of about 1 per ceot in real terms.

Despite Mr Murayama's conversion to reality, a more self-reliant defence force could pose political problems among constitutional die-hards.

"Devoting thought to building an appropriate defence capability, much less putting it to actual use, has been a public taboo and a high political risk domestically," explains a recent paper by Major Atsumasa Yamamoto, a member of the defence agency's intelligence division.

Defence agency planners interpret article 9 to mean a ban on the purchase of instruments of overt aggression such as aircraft carriers and ballistic missiles. This is much harder to interpret in battle. The dividing line between what vice admiral Natsukawa and his colleagues may or may not do to defend their ships is almost impossible to define. They may shoot at incoming missiles; but do they have to ask parliament's permission to shoot at the ships, aircraft or launchers that fired them?

Article 9 has also been taken, by a 1960s cabinet resolution, to rule out participation in "collective security" arrangements beyond its own frontiers. This is supposed to limit tbe ground forces to defending the Japanese islands in case of invasion, and to restrict the navy to policing sea lanes up to 1,000 nautical miles from Japan.

The rule against collective defence could complicate any attempt to take part in one of America's theatre missile defence programmes, ideally suited to counter the North Korean threat, as suggested in the panel'a draft report. But the 1,000-mile rule does mean North Korean waters are legally in the navy's reach – especially now that the self defence forces themselves are constitutional.

Japan's pragmatic defence planners are making changes irrespective of the country's political turmoils

Record first-half fall in Japanese vehicle output

By Michiyo Nakamoto in Tokyo

Japanese vehicle production in the first six months of this year was down 10.8 per cent, a record first-balf fall and tbe first time the industry has seen a fourth consecutive fall, according to the Japan Automobile Manufacturers' Association.

Vehicle production between January and June totalled 5.2m units compared witb 5.9m units in the same period last year. The previous record fall was 9.4 per cent in 1974, JAMA said. In June alone, vehicle production fell 3.2 per cent to 956,662 units.

The fall came in spite of a more moderate fall in domestic demand of 3 per cent to 3.8m units. JAMA attributed the decline to falling exports caused by the yen's rapid appreciation and to a growing trend towards overseas production. JAMA estimates that exports in the period fell 20 per cent.

Mitsubishi Motors said yesterday it would start manufacturing an upgraded version of its popular Galant car in the US next spring in an attempt to avoid the worst effects of the high yen.

Although Mitsubishi plans to export engines for the car from Japan, the company bas already agreed to buy transmissions for the car from Chrysler, the US carmaker, to reduce costs.

Honda is to invest $310m (£200m) to boost its north American operations. Honda said it would increase car and engina manufacturing capacity and strengthen R&D and sales in north America, and increase exports from there.

Such moves have been a significant factor behind falling domestic production levels, JAMA said.

Car production fell 11.9 per cent in the first half and 5.4 per cent in June, the 15th consecutive monthly fall. Production of trucks fell 7.5 per cent and tbat of buses fell 12.4 per cent.

NEWS: WORLD TRADE

Brussels delay on export credits

By Guy de Jonquières, Business Editor

The European Commission is to delay until autumn a decision on rules for short-term export credits, in an attempt to meet British objections that its draft regulations would unfairly jeopardise the UK system.

The Commission had been expected to publish the rules this month. However, Mr Karel Van Miert, the European competition commissioner, agreed to the delay after a meeting last week with Mr Richard Needham, Britain's trade minister.

But though Mr Van Miert is to reconsider the commission's approach, observers are unsure if it will be technically or politically possible to find a compromise which satisfies all sides.

The proposed rules, which the Commission has the authority to impose, are intended to prevent unfair competition by clamping down on government subsidies.

The rules would apply to "marketable" risks, defined by Brussels to include all commercial risks within countries belonging to the Organisation for Economic Co-operation and Development except Turkey.

Britain objects that a proposed ban on state reinsurance of "marketable" risks could threaten its government's policy of financing, through the Export Credit Guarantee Department, a small portion of the country's short-term credit reinsurance exposure.

UK credit insurers, such as the Dutch-owned NCM group, say the policy brings valuable stability by cushioning the risk of sudden shortages in reinsurance capacity.

However, the UK complains that because the system does not distinguish between commercial and political risks, the Brussels proposals would create unnecessary confusion and could lead to complete withdrawal of government support. Britain also denies that the government financing constitutes a subsidy.

The UK is particularly incensed because, it says, it has already moved far to meet the commission's overall objectives by privatising ECGD's short-term export credits business three years ago.

Brussels has sought a compromise which would enable the UK arrangements to continue temporarily. But Britain has rejected the offer, insisting the proposed rules must recognise its system as permanent.

That demand, however, is opposed by France, Belgium and Spain. They argue that anything less than a total ban on state reinsurance would leave open a loophole for unfair subsidies.

Heatwave increases sales – but foreigners are benefiting, writes Emiko Terazono

Imported beers boost market share in Japan

Demand for beer in Japan has surged in recent weeks thanks to a prolonged heatwave. However, officials at the country's leading beer companies are not so sunny, as an increasing number of Japanese consumers are quenching their thirst with imported beer rather than domestic brands.

Cheap imported beers are challenging the leading domestic manufacturers which have long dominated the Japanese market. The yen's strength and bulk purchasing power are helping big retail chains offer customers foreign beers at half the price of the domestic brews.

Cutting out the middlemen through direct imports from manufacturers has also allowed retailers to lower prices.

Foreign beer imports increased fivefold during the first four months of this year, and some analysts expect sales of foreign beers, now 2 per cent of the market, to rise to 4 per cent by the end of this year.

Even Daiei, the nation's largest supermarket operator, which triggered the recent boom in imported beer by offering cheap Belgian beer, has been surprised by the popularity. The retailer began selling 330ml cans at Y128 ($1.29) a can alongside domestic beer at Y220 late last year.

It initially expected to sell around 70,000 cases of imported beer this year, but achieved that target in the first month. It now expects to sell 2m cases, thanks to the heatwave, and sees import brands accounting for over half its total beer sales this year. Other discount liquor stores and retail chains have followed suit, and are also experiencing high demand.

The widespread discounting of beer comes four years after anti-trust regulations concerning beer pricing were put into place.

In 1990, the Fair Trade Commission pushed leading beer companies to advertise in mainstream dailies that retailers and wholesalers were allowed to set their own prices.

Some beer company officials, however, regard the recent froth in import beer sales as likely to subside. "People are attracted to the prices but it doesn't mean that they will continue to store their cupboards with cheap imports," said Asahi Breweries.

Domestic brewers still regard the taste of their own brands as superior to that of imports and so far, while prices of foreign brands have been reduced, domestic beer prices have not been discounted aggressively.

But analysts point out that this will change soon. "It's a crack that will lead to the dam's downfall," says Mr Paul Heaton, retail analyst at brokers Baring Securities in Tokyo. He expects the domestic beer companies will need to start rationalising their complicated distribution system to reduce costs and maintain their market share.

Summer in the city: Over 40,000 people bathed in a Tokyo swimming pool in last Sunday's heat Reuter

Taiwan to open building sector to foreign companies

By Laura Tyson in Taipei

Taiwan will open its construction industry to foreign companies as part of its efforts to further its application to join the General Agreement on Tariffs and Trade.

In recent meetings, the US, Japan and other countries have made support for Taiwan's Gatt entry conditional on improved market access in government procurement and big infrastructure contracts, among other measures.

The announcement on the contracting sector follows reports that US negotiators were largely satisfied with Taiwan's plans to liberalise services and government procurement as outlined during trade talks in Washington last week. More talks on Taiwan's Gatt membership terms are scheduled for next month.

Taipei representatives of foreign construction companies were cautiously optimistic about the measures, which are to take effect by the end of this year subject to cabinet approval.

"It's a good step forward," said an official at a European company involved in building Taipei's mass transit system. "This means that foreign companies will be able to establish themselves properly here. But we will be watching closely to see whether the legislation is implemented in a transparent manner."

Under the draft, foreign construction companies with at least NT$400m (US$15m) in capital and NT$4bn in total revenues over the last five years will qualify to set up an office in order to bid for big projects.

The capital requirement for foreign companies is four times that for local ones. "Opening the industry to foreigners already will give local companies a hard time. The aim is to slightly protect local companies," said an official with the construction and planning administration.

In 1990, Taiwan announced an ambitious long-range infrastructure development plan with projected spending of US$300bn. Last year the plan was scaled back to US$200bn, but most projects are well behind schedule and many are likely to be quietly jettisoned.

Nonetheless, Taiwan has a substantial number of large-scale projects in the pipeline and foreign companies are vying for contracts. Especially keen are Japanese and Korean companies, which Taiwan has excluded from many government contracts in an effort to curry diplomatic favour with European and North American governments.

Kuwaiti deal for South Korea

By Robin Allen in Dubai

South Korea's Hyundai Engineering & Construction Company has won the civil works contract to build a 2,400MW power station at Subiyah, in a remote area near Bubiyan island on the northern side of Kuwait Bay, for Kuwait's Ministry of Communications, Electricity and Water.

Hyundai's bid of KD125m ($422m) was about $45m less than the second lowest, submitted by the UK's Wimpey in a joint venture with the Greek-headquartered but locally registered Consolidated Contractors (CCC). Japan's Mitsubishi Heavy Industries is supplying and constructing the turbines and boilers under a $1.3bn contract awarded last March. Poland's Polymex is to supply the oil and water tanks.

Local Kuwaiti companies are to benefit from other subsidiary work, an important factor in an economy where state contracts outside the petroleum sector are scarce. CCC has a contract worth $100m to supply the fuel lines from Doha power station to Subiyah, and Kuwait's Gulf Dredging Company is to build the offshore water intake cooling system. Consultant at Subiyah is the UK's Merz & McLellan.

Subiyah is due to be completed in 2000, although the first two units, providing 600MW, will come on stream in 1997. This additional generating capacity will be more than sufficient to satisfy Kuwait's power needs over the next four years. Total generating capacity is estimated to be almost 7,000MW, with water desalination capacity of more than 200m gallons a day, compared with peak summer consumption levels of some 4,000MW and 160m gallons a day.

Plans to build a power station – and indeed an entire city – at Subiyah pre-date the Iraqi invasion of Kuwait on August 2 1990. Since the end of the war, the population of Kuwait has fallen by nearly 30 per cent, raising questions about the need to develop areas in the north, especially at a time of chronic budget deficits, cuts in government spending and plans to introduce personal income taxes.

Diplomatic and industry sources suggest there are two reasons why the government is willing to spend $2bn on Subiyah. Subiyah will be linked with the rest of the national grid, so its additional capacity can compensate for the demands that will come with building the proposed petrochemical complex at Shuaiba, south of Kuwait city. This $2bn plant is to be a joint venture between Kuwait's Petrochemical Industries Company and the US's Union Carbide.

Also, the government's development of the northern part of Kuwait, including Subiyah and neighbouring Bubiyan island, would be a clear statement of intent to Iraq that the Kuwaiti government is consolidating its presence in the north by proceeding with its pre-war development plans. With the fourth anniversary of Iraq's invasion a week away, such a statement from Kuwait is symbolic, as Iraq has refused to recognise either Kuwait or the new United Nations boundary between the two countries.

Kobe Steel plans Chinese venture

By Michiyo Nakamoto in Tokyo

Kobe Steel, the Japanese steel and construction equipment maker, has agreed with Chengdu Engineering Machinery Group of China to set up a joint venture company to manufacture and market construction machinery in China.

The agreement, to be signed today, marks the first joint venture involving a Japanese company making construction machinery in China.

The joint venture, to be called Kobelco Chengdu Machinery, will initially be capitalised at $1m, with Kobe Steel and Chengdu Engineering Machinery each taking a 45 per cent equity stake. Shinso Corporation, a trading company affiliated with Kobe Steel, and Itochu, the Japanese trading company, will also own 5 per cent each.

Kobelco Chengdu Machinery will initially make, market and service 50 units of hydraulic excavators and other types of Kobe Steel's construction machinery. The rapidly growing south-western and north-western regions, which the joint venture will serve, are together expected to account for 30 per cent of Chinese demand for hydraulic excavators, Kobe said.

Full-scale production is expected to begin after June 1996, when the partners will consider expansion of production facilities and equipment to make 1,000 units and target annual sales of Y10bn ($101m).

The Chinese market for construction machinery is expected to double from the current 10,000 units a year to about 20,000 units by 2000, according to the Chinese authorities. The country aims to produce all of its construction machinery domestically by that time.

The joint venture is likely to be the only one in the construction machinery sector in these rapidly growing regions for some time, as China's Ministry of Machinery Industry has no other plans to authorise similar tie-ups, Kobe Steel said.

NEWS IN BRIEF

Ford's exports from US rise 75%

Ford said it shipped 57,215 cars and trucks from North America to overseas markets in the first six months of 1994, up 75 per cent from a year earlier, Reuter reports from Dearborn.

It shipped 8,470 cars and trucks to Mexico, up from 698 a year ago. Exports to Europe and the Asia-Pacific region each were up about 85 per cent, the Middle East was up 37 per cent, and Caribbean and Latin America shipments rose 28 per cent, Ford said.

China tightens venture rules

China is tightening rules on setting up foreign joint ventures with the aim of protecting state assets, guaranteeing payment of capital and cracking down on sham companies, Reuter reports from Beijing.

The China Securities newspaper said the Industrial and Commercial Bureau had taken measures to tighten up procedures and state companies seeking ventures with foreign companies must report their assets to the state-owned Assets Management Bureau.

Japan in talks with Brussels

The European Commission and Japan open two days of annual trade talks today with an initiative to study deregulation of the Japanese economy high on the agenda, Reuter reports from Brussels.

The Commission said the meeting would focus on access to the Japanese market and would also review Japanese and EU relations with the US.

Caribbean trade group set up

Twenty five countries in the Caribbean Basin have signed an agreement to create the Association of Caribbean States (ACS) trade grouping, writes Canute James in Kingston.

The ACS has a market of 200m people and includes Colombia, Mexico and Venezuela, the countries of Central America, Cuba, the Dominican Republic, Haiti and Suriname and the 13 members of the Caribbean Community.

Renault parts pact with Iveco

Fiat subsidiary Iveco and the French car producer Renault yesterday announced that they would develop and produce industrial vehicle components for each other's use, agencies report from Turin.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−152.5	0.7623	100.0
1986	230.9	−140.8	−152.7	0.9838	80.2
1987	220.2	−131.8	−145.0	1.1541	70.3
1988	272.5	−100.2	−107.5	1.1833	66.0
1989	330.2	−99.3	−92.2	1.1017	69.4
1990	309.0	−79.3	−72.1	1.2745	65.1
1991	340.5	−53.5	−6.7	1.2391	64.5
1992	345.8	−65.2	−51.4	1.2957	62.6
1993	397.3	−98.7	−88.6	1.1705	65.6
2nd qtr.1993	96.0	−24.7	−21.2	1.2069	64.3
3rd qtr.1993	99.6	−27.5	−24.3	1.1443	65.4
4th qtr.1993	106.8	−25.0	−26.9	1.1388	66.4
1st qtr.1994	106.8	−28.9	−28.4	1.1244	66.8
June 1993	32.1	−9.8	n.a.	1.1833	64.5
July	32.8	−9.5	n.a.	1.1349	65.8
August	33.9	−8.8	n.a.	1.1251	65.7
September	32.9	−9.0	n.a.	1.1726	64.7
October	34.5	−9.3	n.a.	1.1587	65.5
November	35.5	−8.8	n.a.	1.1282	66.6
December	38.9	−8.9	n.a.	1.1287	67.0
January 1994	35.2	−9.7	n.a.	1.1139	67.5
February	34.1	−10.8	n.a.	1.1184	66.7
March	37.5	−6.4	n.a.	1.1410	66.1
April	36.1	−10.6	n.a.	1.1365	66.0
May	35.5	−10.6	n.a.	1.1622	65.3

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.6	76.0	64.5	180.50	100.0
1986	211.0	96.2	87.0	165.11	124.4
1987	197.3	86.1	75.3	166.58	133.2
1988	216.8	80.7	66.7	151.51	147.3
1989	245.3	70.5	52.6	151.87	141.8
1990	220.0	50.1	28.2	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.8	101.7	90.0	164.05	142.9
1993	300.0	120.8	111.2	130.31	173.8
2nd qtr.1993	73.4	28.7	25.6	132.78	172.4
3rd qtr.1993	79.1	32.2	28.2	120.89	183.7
4th qtr.1993	75.8	30.3	26.9	123.20	180.2
1st qtr.1994	81.1	32.6	30.1	120.96	182.5
June 1993	25.3	8.1	7.8	126.87	178.2
July	26.7	11.3	9.7	122.24	181.1
August	26.5	10.3	8.1	116.79	188.2
September	25.8	10.7	9.4	123.63	181.8
October	24.8	8.8	8.9	124.03	180.4
November	25.1	9.9	8.8	121.66	181.6
December	25.7	10.6	8.2	123.92	178.5
January 1994	27.1	11.3	11.2	124.03	177.0
February	26.9	11.3	10.1	116.77	185.2
March	27.2	10.2	8.8	120.04	185.3
April	27.6	11.3	10.8	117.79	188.6
May	26.1	9.6	8.6	120.67	196.2

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.2*	*21.7*	2.2260	100.0
1986	*248.3*	*53.3*	*40.3*	2.1279	108.5
1987	*254.3*	*56.6*	*39.8*	2.0710	115.3
1988	*272.4*	*61.5*	*42.9*	2.0739	114.6
1989	*310.3*	*65.3*	*52.2*	2.0681	113.5
1990	324.4	51.5	36.9	2.0537	119.1
1991	327.4	11.2	−15.7	2.0480	116.7
1992	330.6	16.8	−17.0	2.0187	123.2
1993	310.2	29.9	−18.3	1.9537	126.8
2nd qtr.1993	75.1	7.6	−3.1	1.9530	124.0
3rd qtr.1993	76.6	6.2	−8.7	1.9180	125.9
4th qtr.1993	81.7	11.7	−3.0	1.9161	124.8
1st qtr.1994	78.8	6.4	−5.0	1.9370	122.4
June 1993	25.1	2.8	0.7	1.9459	122.8
July	24.1	2.2	−4.0	1.9463	122.0
August	26.5	2.1	−3.0	1.9061	125.6
September	25.6	1.8	−1.8	1.8996	126.1
October	27.4	4.2	−1.8	1.8995	126.2
November	27.4	4.0	0.6	1.9182	124.6
December	26.8	3.5	−1.6	1.9306	123.7
January 1994	25.9	3.3	−1.3	1.9415	122.2
February	27.2	3.0	−2.5	1.9397	121.8
March	26.7	2.1	−1.1	1.9299	123.2
April	29.0	4.8	−0.6	1.9335	122.8
May			−3.2	1.9265	123.5

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.6	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	−4.6	−3.7	6.9265	103.0
1988	141.8	−3.8	−3.4	7.0354	100.8
1989	162.9	−6.3	−3.8	7.0169	99.8
1990	170.1	−7.2	−7.2	6.9202	104.8
1991	175.4	−4.2	−4.8	6.9643	102.7
1992	182.5	4.8	2.9	6.8420	106.0
1993	177.8	13.8	8.9	6.6281	108.3
2nd qtr.1993	44.5	3.1	1.4	6.6116	109.7
3rd qtr.1993	45.0	3.8	3.5	6.6508	106.4
4th qtr.1993	45.8	4.5	3.5	6.6431	107.3
1st qtr.1994	46.1	2.4	2.3	6.5881	108.0
June 1993	14.7	0.73	−0.42	6.5842	108.9
July	15.1	1.56	1.27	6.6299	107.0
August	14.6	0.73	1.27	6.6781	105.3
September	15.3	1.57	1.00	6.6465	107.0
October	14.9	1.28	1.17	6.6631	106.9
November	15.0	1.22	0.02	6.6637	106.8
December	15.6	2.02	2.38	6.6025	106.2
January 1994	15.1	0.30	2.44	6.5956	107.8
February	15.0	0.79	−0.84	6.5905	107.6
March	15.6	1.36	0.51	6.5782	108.3
April	15.7	1.16	0.07	6.6240	107.1
May	16.3	1.15		6.5972	107.9

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−18.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	106.3	−8.8	−8.0	1536.6	97.8
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.8	−9.3	−18.0	1523.2	100.6
1991	137.0	−10.5	−17.7	1531.3	98.9
1992	137.8	−6.0	−20.6	1591.5	95.7
1993	144.3	17.9	6.2	1836.7	79.8
2nd qtr.1993	36.6	3.9	1.7	1814.2	81.2
3rd qtr.1993	34.2	6.1	3.2	1813.0	79.8
4th qtr.1993	40.8	7.1	3.9	1879.8	77.0
1st qtr.1994				1892.6	76.2
June 1993	12.6	1.6	0.8	1778.0	82.5
July	14.7	4.4	2.8	1786.8	80.8
August	7.6	0.8	0.3	1804.2	79.7
September	12.0	0.9	0.1	1838.0	78.9
October	13.2	2.3	2.0	1854.8	78.2
November	12.4	1.7	1.6	1880.7	77.0
December	15.2	3.1	0.4	1903.6	76.1
January 1994	10.2	0.1	−0.7	1892.5	76.2
February	12.9	1.6		1883.9	76.4
March				1901.9	75.9
April				1850.1	78.0
May				1852.9	78.2

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−6.7	3.6	0.5899	100.0
1986	108.3	−14.2	−1.3	0.6708	91.6
1987	112.3	−16.4	−7.1	0.7047	90.1
1988	120.9	−32.3	−25.0	0.6643	95.5
1989	137.0	−36.7	−33.5	0.6728	92.6
1990	142.3	−26.3	−25.6	0.7150	91.4
1991	147.7	−14.7	−10.9	0.7002	91.7
1992	145.5	−18.2	−14.3	0.7369	88.4
1993	155.3	−17.6	−14.0	0.7780	80.2
2nd qtr.1993	37.7	−4.2	−4.4	0.7862	80.2
3rd qtr.1993	40.3	−4.2	−2.8	0.7605	81.0
4th qtr.1993	40.2	−4.7	−2.7	0.7635	81.1
1st qtr.1994	42.7	−4.2	−1.0	0.7554	81.3
June 1993	12.9	−1.3	n.a.	0.7637	79.6
July	13.1	−1.8	n.a.	0.7585	81.3
August	13.9	−0.5	n.a.	0.7546	81.0
September	13.3	−1.8	n.a.	0.7685	80.8
October	13.8	−1.2	n.a.	0.7712	80.4
November	13.2	−1.6	n.a.	0.7620	81.0
December	13.4	−1.8	n.a.	0.7573	81.7
January 1994	14.4	−1.4	n.a.	0.7456	82.4
February	14.1	−1.2	n.a.	0.7557	81.0
March	14.1	−1.8	n.a.	0.7649	80.5
April	14.5	−1.0	n.a.	0.7673	80.0
May			n.a.	0.7738	79.9

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

IRISH PEACE PROCESS

Paisley presses for new Ulster assembly

By David Owen, William Lewis and John McManus

Rev Ian Paisley will today urge Mr John Major to press ahead quickly with plans for a devolved Ulster assembly as part of a drive to secure a durable political settlement in Northern Ireland.

In a move likely to underline the delicacy of the task the government faces in forging a deal between Ulster's constitutional parties, Mr Paisley will present the prime minister with a document setting out the hardline Democratic Unionist party's proposed solotion to the conflict.

Speaking within 48 hours of Sinn Féin's dismissal of the Downing Street declaration as inadequate, the DUP leader will call for the government to adopt additional security measures in the province.

He will argue strongly that London should not offer Dublin anything in return for removing its constitutional claim to Ulster.

News of Mr Paisley's plans emerged as Mr Gerry Adams, the Sinn Féin president, insisted that the Irish peace process would continue, despite his party's refusal to recommend an IRA cease fire.

"The peace process is not dead, it is very much alive," Mr Adams said. "I remain optimistic that we can move on." he added. "We need a process of demilitarisation and I am optimistic we can move towards that."

In London, Sir Patrick Mayhew, the Northern Ireland secretary, said the IRA's political wing was now isolated. "Sinn Fèin and the IRA, for whom they speak, are now seen to be continuing to use torture, murder, terror and indiscriminate violence for political purposes in circumstances where both governments say that the future of Ireland lies in democracy," he said.

In Dublin, the Irish government took pains to play down the appearances of a split between Mr Albert Reynolds, the prime minister, and Mr Dick Spring, the foreign affairs minister. In his initial reaction on Sunday night Mr Reynolds said he saw positive signals in Sinn Féin's response. But Mr Spring was much less positive saying that many people would be disappointed.

The DUP document is understood to draw on many points from an earlier submission drawn up by the party, entitled Breaking the Logjam.

This called for the election of an assembly that would be given the task of agreeing a form of government for Ulster within the UK.

Only once agreement had been reached and approved by voters in Ulster, *and* after Dublin had removed its territorial claim, would the assembly start negotiations on north-south relations.

Eyebrows raised by price of military decorations

Bruce Clark on the furore over homes for the service 'top brass'

Distinguished officers in Her Majesty's forces require little encouragement to hold forth about such matters as peacekeeping doctrine or the future of submarine warfare.

But there is another subject which can arouse equally strong passions, but is not so willingly discussed in front of outsiders: their own housing and privileges.

This month's disclosure of a £387,000 refurbishment for the home of an air chief marshal has reminded the public of one of the things that distinguish service life – the glamour of life at the top.

Many of the bomes are listed historic houses. Among the finest is Admiralty House, a Georgian mansion overlooking Plymouth Sound. Others are simply expanded versions of the red-brick "married quarters" on glorified military housing estates.

The commander of British forces in Hong Kong enjoys a lifestyle in the colony's most fashionable district which would be the envy of many a civilian millionaire. Until recently UK forces in Germany occupied some splendid mansions commandeered in 1945.

There is no precise correlation between high living and responsibility. A decade ago the senior general in Northern Ireland was obliged by security factors to move from a mansion outside Belfast to more modest quarters inside a barracks.

Officers' residences, of course, go with particular jobs, and the service couples who inhabit them are only too aware that in a year or two they will be washing their own dishes in plainer surroundings.

Senior officers will have to fight a skilful rearguard action to hold on to their privileges when defence costs are being trimmed and numbers reduced.

There are 67 official residences for senior officers in the UK, 26 for the navy, 23 for the army and 18 for the Royal Air Force. Another 10 residences are located abroad. However, 14 residences have been sold in the past year.

These establishments will hardly make or break the defence budget. Over the past two years the upkeep of senior officers' homes has cost the taxpayer about £5m, covering everything from new roofs to routine maintenance.

Some of the most exotic homes to which an officer can aspire – as head of the garrison in Brunei or military adviser in Oman – cost the UK taxpayer nothing because they are paid for by local sultans. Indeed, when set against total annual defence spending of £23bn, the sums spent on officers' homes seem paltry enough.

But looked at from another angle, the figures can be embarrassing. The average staff costs for each senior officer come to aboot £65,000 a year, while the average value of each official residence is abont £500,000.

There are some practical arguments in favour of the current arrangements. Senior service jobs include a public relations function comparable to that of ambassadors.

Their homes have to double as conference centres, restaurants and hotels for a stream of dignitaries ranging from parliamentary delegations to Middle Eastern potentates shopping for weapons.

Jobs with responsibility for conflict zones such as Northern Ireland or Bosnia keep the holder on duty for 24 hours a day.

Given that these positions are rotated every year or two, it makes better sense to keep permanent official residences than to provide officers with housing allowances and expect them to waste time searching for accommodation.

But these bread-and-butter arguments are not the ones most officers would use in defence of their homes.

In the end, they would say, a hint of mystique and glamour is one of the intangibles that draws talented people to service careers.

Like so many aspects of service life, from drill to military tattoos, this cannot easily be explained to accountants.

Britain in brief

Insurance ruling boost for Names

The prospects of Lloyd's Names winning further compensation for losses suffered in the insurance market in the late 1960s were yesterday enhanced after tha House of Lords ruled that claims under the law of tort can be brought.

The ruling clears the way for Names to bring more actions seeking compensation since under tort law claims can be made up to 12 years from the date when the alleged damage was discovered. Claims for breach of contract have to be started within six.

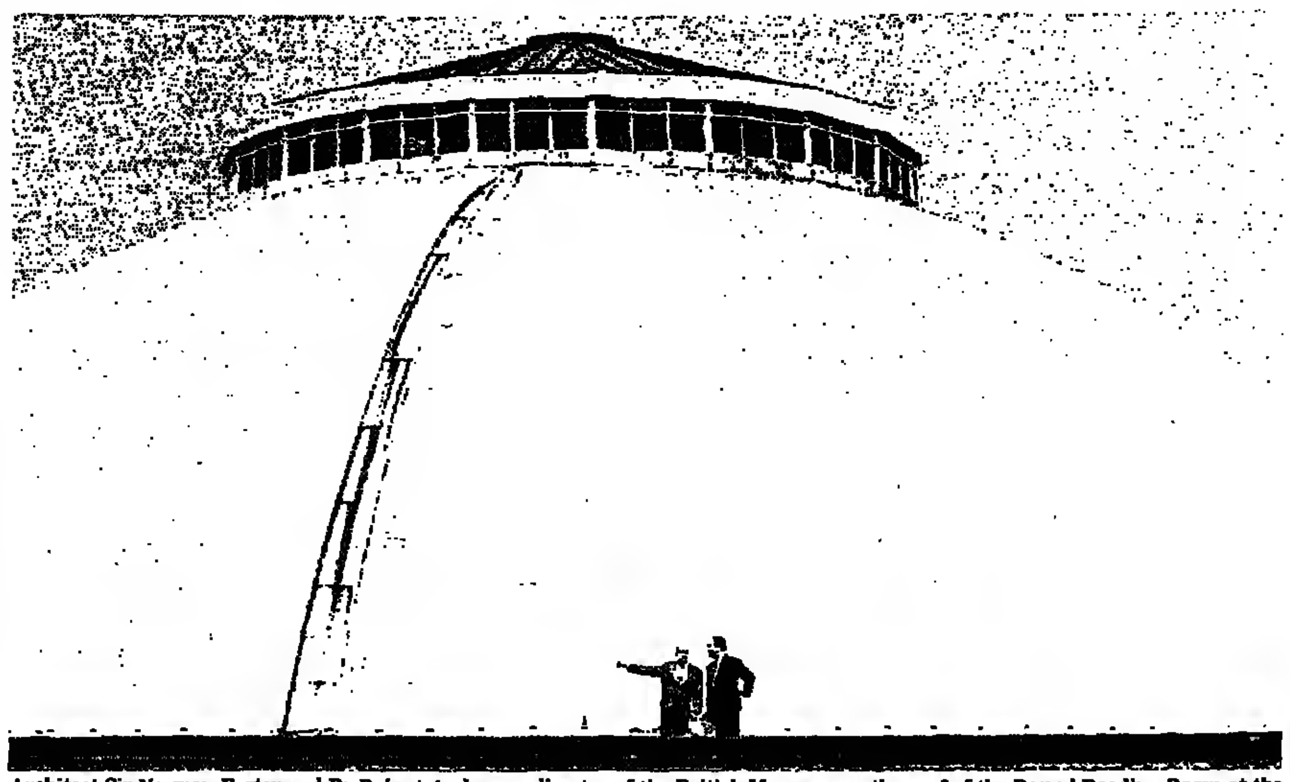
Following the judgment, the Gooda Walker Action Gronp will now start proceedings against Littlejohn Fraser, the former Gooda Walker anditors, Mr Michael Deeny, the action group chairman said. The action will centre on the use of "time and distance" policies by Gooda Walker's syndicate 290, he said.

Rollercoaster stays closed

Investigators from the official watchdog on safety said they had found "deficiencies" in the world's tallest roller coaster after a crash that injured 26 people.

The 235ft-high ride called the 'Pepsi Max Big One' was officially opened a week before the accident earlier this month. It will remain closed under a Health and Safety Executive prohibition notice issued last Friday while investigations cootinue.

The HSE said the notice, which forbids the carrying of passengers until the faults have been remedied, had been served on Pleasure Beach, the operator. Arrow Dynamics, the US makers of the ride, are still examining the computer systems that should have made it impossible for two trains to collide.



Architect Sir Norman Foster and Dr Robert Anderson, director of the British Museum, on the roof of the Round Reading Room at the launch of a £110m appeal to add 40 per cent more space for exhibits for the 7m visitors to what is the UK's most prestigious and popular museum. The project should be completed by 2003, the 250th anniversary of the founding of the museum.

Kindersley share reward

Mr Peter Kindersley, founder and chairman of Dorling Kinderaley, is digging deep into his pockets to reward executives with share options worth almost £2.6m from his own holding in the illustrated books publisher.

Mr Kindersley yesterday announced be would make 950,000 shares - or 1.5 per cent of the company - available to executives in a private share option incentive scheme.

If all the options are taken np, Mr Kindersley will receive a total payment of £152,000 for the shares. He will still have a 40.1 per cent stake, worth £72m, in the company.

Mr Kindersley, at 53 a firm believer in employee share ownership, attacked the limitations imposed on option schemes by UK institutional shareholders. "In the US institutions realise the importance of motivating staff. Here, the reaction is that it is some sort of dilution," he said.

Three day rail disruption

Britain's railway network faces widespread disruption from noon today until after noon on Thursday with the escalation of the signalling dispute over pay. It is estimated that a quarter of the actual services will be running. Services will be running for the first time from London Victoria to Catwick.

Rover sales jump 16%

Rover Croup said that it may need to review its carmaking capacity next year if the company's current worldwide sales npturn is sustained this year, then strengthened - as expected - by significant new models to be introduced from early 1995.

Rover, which was hought early this year by BMW for £800m plus debt assumptions, yesterday reported a 16 per cent jump in worldwide sales in the first half of this year. The increase, to 234,600 from 202,100 in the same period of 1993, took sales to their highest level for four years.

Production rose even more sharply, to 251,900 from 206,500 - a five-year high. Within these totals the biggest increases were accounted for by the Land Rover subsidiary. Its Discovery model has proved one of Rover's biggest anccesses and it has just announced a £68m investment.

NEWS: UK

THE MILFORD HAVEN BLAZE

Texaco probes refinery fire

By David Lascelles, Resources Editor

Investigators will today move into the stricken Texaco refinery at Milford Haven, on the Welsh cost, to ascertain the cause and extent of the 36-hour blaze which forced closure of the plant.

The main fire was extinguished last night, and two smaller fires were being allowed to burn themselves out.

But investigators had to wait for temperatures to cool before they conld approach. There were no major injuries from the fire, thongh the explosion which caused it on Sunday damaged nearby buildings, and caused some minor injuries to Texaco staff.

The fire was centred on the catalytic cracker, a key part of the process for making petrol at the refinery, which is situated on Milford Haven, an estuary on the far south-west coast of Wales close to Pembroke.

Texaco said last night that it hoped to have a preliminary indication of the extent of the damage done to the plant by late this afternoon. The fire is thought to have been caused by a lightning strike.

The US oil company said that the damage would have no immediate effect on its ability to supply its network of service stations in the UK or its contracted commercial customers. It also said that it would be able to meintain product quality.

News of the blaze caused a small rise in the price of petrol in the wholesale market yesterday morning.

According to Platts, the information service which monitors trade in petroleum products, petrol rose about $5 a tonne to $190. But generally, petrol companies doubted that the closure of the refinery, which accounts for about 10 per cent of UK refining capacity, would have major repercussions, even though the blaze has struck at the height of the summer motoring season.

There is a 5-10 per cent capacity surplus in the UK, and all the major petrol companies have product exchange arrangements to deal with shortages. The UK is also a large petrol exporter, and supplies could be diverted back on to the domestic market if need he. Alternatively, imports could be brought in from the Continent where atocks are plentiful.

"We don't expect there to be any significant effects on supplies," said a spokesman for Shell, the largest UK petrol retailer.

Texaco is a major supplier to supermarkets who have recently begun to attack the petrol market.

However, Tesco said last night that Texaco was only one of many suppliers. "We don't anticipate any problems in supply, and we still aim to be the cheapest in any given area," said a spokeswoman.

● The first shipment of oil from the UK's new fields west of Shetland, the island to the far north-east of the northern coast of mainland Scotland, will be loaded next week, opening a fresh era in UK offshore oil.

British Petroleum will be loading a test cargo of oil from its recently discovered Foinavon field which lies in 1,600 feet of Atlantic water. The first large-scale shipment will occur in September.

Fionavon, and an adjacent field are estimated to contain up to 1bn barrels of oil.

Radical tax plans threaten PAYE

By Andrew Jack

The UK's pay-as-yon-earn tax system conld be subject to the first significant restructuring since its creation 50 years ago, under radical plans being considered hy the Inland Revenne.

Taxpayers may face the prospect of speedier and more accurate calculation of their liabilities but with the focus shifting to adjustments of any errors at the end of each tax year rather than during the year when their tax is deducted from payroll.

The changes wonld follow sweeping reforms currently being implemented to the two other most important elements in the tax system: the shift to "pay and file" for companies, and to "self-assessment" for self-employed taxpayers and those with complex tax affairs.

These initiatives are designed to speed up the gap between receipt of income and the payment of tax, and to place the onus for the first time on individuals and companies to calculate for themselves how mnch tax they owe rather than relying on Revenue inspectors to do the work.

Senior Revenue officials are considering changes to PAYE as part of efforts to fulfil the department's commitment to get tax assessments "right first time". Any changes are likely to take place only over a number of years.

The most radical reforms would involve simplificatioo of the tax system, which would require a commitment by ministers. Bnt officials believe they could also achieve considerable improvements through internal management change. These could inclnde greater use of computer support, more accurate collection of staff information, and concentrating efforts on accuracy in tax coding.

Carmakers count cost of waiting for the plate

John Griffiths reviews the arguments for and against abolishing the annual prefix letter system for the registration of new vehicles within the UK

The "M" licence plate for new cars registered from August 1 may mark the beginning of the end of the annual prefix letter system.

The annual registration letter change, for years proclaimed by the motor industry as a useful boost to sales, is now regarded by much of the industry as having grown into a market-distorting monster.

As a result, the Society of Motor Manufacturers and Traders is investigating a numher of alternative systems which it hopes to present to the government before the end of this year.

That would be too late to prevent the "N" plate going ahead on August 1 next year. But if the society has its way, the "P" plate due in 1996 will never appear.

It might seem strange that much of the motor industry, still recovering from its worst recession since the second world war, now wants to abandon a system which the society itself expects will lead to about 500,000 new cars being registered next month.

Bnt even the big UK manufacturers consider that the benefits of the larger market presumed to be created by the system are outweighed by the disruption it causes to both trade and industry for several months either side of August.

Uneven cashflow, increased marketing and stocking costs and coping with the flood of unwanted trade-ins left on dealers' forecourts in September are just some of the problems which the August "bulge" has created.

This year new-car registrations in August could exceed one-quarter of the entire year's total for the first time, said Professor Garel Rhys, SMMT professor of motor industry economics at Cardiff Business School. In contrast, July has become a virtual sales desert for dealers, accounting for abont 2 per cent of registrations.

Many dealers say that the effect of motorists deciding to "wait for the plate" are felt as early as May.

Left unchecked, said Prof Rhys, the hulge could continue to expand until it reached 42-43 per cent of the market.

But carmakers, having adopted "lean" manufacturing systems, are also introducing lean distribution – requiring as little as two weeks between placing of order and delivery.

Sewells International, the marketing monitoring group, said that replacing the existing system with one spreading sales more evenly through the year could save the industry almost £1.5bn in stocking and related costs.

The Industry is not approaching the government in a wholly united manner, however. The Retail Motor Industry Federation, the main trade association for dealers, maintains that the extra sales it still believes are generated by the prefix system are worth having, although the month of the new letter's introduction might beneficially be moved, perhaps to October.

Yet this is a stance from which some of the UK's biggest dealers distance themselves. Cowie Group, which has an £800m turnover and sells one in every 40 new cars in the UK, described the August prefix as a "massive financial and logistical headache for the industry". It results in UK motorists paying more than necessary for new cars, said Mr Iain Jane, managing director of Cowie's motor division.

He added: "In the run-up to August, dealers sustain substantial overheads out of all proportion to the rest of the year. They have to stock and safeguard around three times their normal numbers of new cars, absorb the associated costs, deal with staffing problems during the UK's peak holiday period and at the same time they have to ensure that every customer gets sufficient care and attention."

Industry analysts believe that even if August registrations do match the 1989 record, they will be achieved, at best, at only marginal profit.

The 1989 record was set during a booming economy with consumer confidence at an all-time high. In contrast a boom in registrations next month would be against a background of continuing economic uncertainty, a faltering housing market and other signs of consumer misgivings.

Prof Rhys said it could only mean a heavily forced market, with marketing incentives offered at a huge cost to the industry and many cars pre-registered by dealers for which there may be no actual buyers.

Alternatives so far suggested include number plates based on regions; a prefix introduced at short notice at variable times during the year; and random use of the remaining prefix letters.

An attempt to revise the system in the late 1980s failed largely hecause the industry could not reach consensus on an alternative.

However, the police also opposed abandoning the annual prefix because, the Home Office said, it helped people remember number plates and thus catch wrongdoers.

TECHNOLOGY

Technically Speaking

When anomalies become the norm

By Raymond Peto

"Let me set the scene. You are a senior executive in a business where your success is largely due to good scientific research done in a textbook manner. Ideas and projects are assessed by means of achievability, funding is allocated either internally or by grants, and the whole is guided by the opinions and boundaries dictated by experts and learned magazines.

So far so good. Now let me raise a question. Someone in your organisation notices an anomaly. This, by definition, is "an irregularity or departure from the common rule".

At this point, the usual thing is that the anomaly is ignored. An anomaly is an embarrassment. It may mean the validity of the work so far is in question. This person may check with magazines and databases and will find no reference to his problem.

He may discuss it "off the record" with his peers. It will affect present and future funding and credibility if he follows it up. Quite often, an anomaly questions tried and tested scientific laws that have worked well for years. This researcher is daring to suggest that they are wrong or at least need modifying.

The pressures on this person will probably stop him reporting his findings to you. There is an automatic human reaction when exposed to an anomaly and that is disbelief. This is healthy.

The next reaction is the belief that by not recognising the anomaly and not researching it, it will cease to exist. This is fear and also faulty thinking.

No one is to blame here. It is the system that has grown up over the years to ensure that projects are worthwhile for funding, that the funding is well spent on "do-able" ideas and that professional journals and databases screen out faulty information.

The solution is to make anomaly research a legitimate subject. The snag at the moment is that the scientific community, though aware to some degree or other of the problem, is powerless to do anything about it. (If scientists talk about it, they risk their funding.)

This is where you, as chief executive, come in. You have nothing to lose and much to gain by allowing anomalies to become a subject for discussion and by positively promoting anomaly research within your business. It could then be discussed and researched, funding would become available and information could be published about it.

Worldwide, there are probably a few thousand researchers working on anomaly research-related projects. They are mostly self-funded or funded by their own businesses, but increasingly they are being funded by enlightened companies, with the most significant funding coming from Japan and the US.

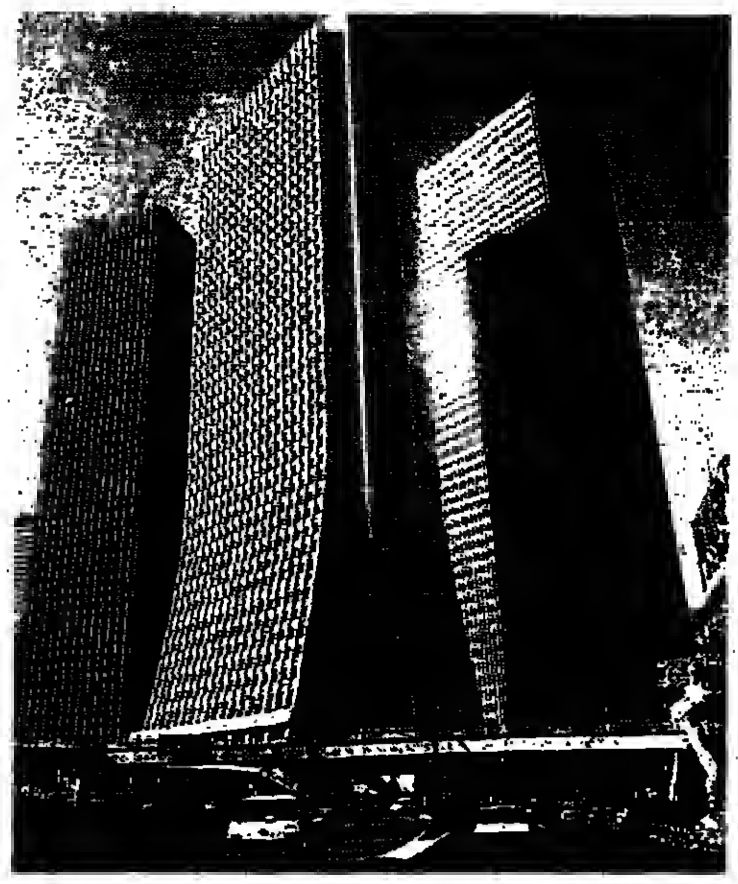
There are dozens of formal and informal societies set up to promote knowledge between the research workers. The advent of person-to-person networking via the telephone system allows global communication between individuals.

This all bypasses the traditional research mechanisms that are not geared up for anomaly research. The following example from my particular area of research, energy generation by non-conventional techniques, illustrates what I mean. This quote is from The Denver Report issued by Pace (the Planetary Association for Clean Energy) about a recent symposium attended by 350 leading experts in new energy.

"There are now eight variations of experimental findings worldwide related to cold fusion. Despite popular belief, this technology is not 'dead' and is generally low profile in very competitive patent development stages . . . replication and further research is being done in over 30 countries."

This may be of no relevance to you, but whatever your area of interest, I can assure you that there are anomalies and that people are working on them somewhere.

The author is an independent electronics engineer.



Ashley Ashwood

High risk: Japan is one of the world's most earthquake-prone countries

Waiting for the big one

There is growing scepticism about Japan's earthquake prediction programme, writes **Dennis Normile**

Some 160km west of Tokyo in Japan's coastal Tokai region is what may be the world's most dense array of geophysical instruments. More than 150 meters and gauges track seismic activity, rock strain, crustal tilt, tidal movements and ground water levels.

The data are telemetered to Tokyo where they are monitored around the clock in the hope that six experts, to be summoned at a moment's notice, will recognise unusual phenomena that may indicate an imminent earthquake. If the committee so advises, Japan's prime minister will issue an earthquake warning for the Tokai area.

Trains will be stopped, traffic routed out of the area, stores closed and pupils let out of schools. Areas prone to landslides and tidal waves will be evacuated. Hospitals, fire-fighters and rescue crews will go on alert. And then everyone will wait for an earthquake measuring eight on the Richter scale.

Long after the rest of the world has abandoned hope of predicting earthquakes, Japan continues to spend $2.5m (£1.6m) a year monitoring the Tokai region and close to $100m more on general earthquake prediction research. For prediction believers, it is a small price to pay, as Japan is one of the world's most earthquake-prone countries.

But for increasingly vocal sceptics in Japan, it is at best a misguided effort that wastes money and is dangerously misleading the public. Despite the protests, however, Japan's earthquake prediction programme rolls along on inertia, insularity and unrealistic public expectations.

Japan made earthquake prediction a national project in 1965 when scientists throughout the world were optimistic about prediction. Research was also being taken seriously in the US, Russia and China.

In Japan, prediction took on urgency when seismologists concluded that the Tokai area was overdue for a significant quake.

The Suruga Trough, a deep submarine trench running just offshore, forms the boundary between two of the earth's tectonic plates. The Philippine Sea Plate is diving beneath the Eurasian Plate. Friction between these plates causes the area's earthquakes.

The Tokai section last ruptured in 1854. If the entire section ruptures again, the resulting quake could reach eight on the Richter scale, endangering the lives of 10m residents in the area. That prospect led to the 1978 Large-Scale Earthquake Countermeasures Act, which established the warning procedure and launched hazard mitigation and emergency response programmes.

Since then, optimism about prediction has faded. Even prediction supporters admit there is no scientific theory on which to base a forecast. Prediction hinges on spotting anomalous phenomena, or precursors. Unfortunately, it has proved impossible to conclude consistently and definitively whether the signs predictors look for – swarms of small earthquakes, unusual bulges and creeps in the earth's crust, sudden changes in geomagnetism or electrical resistivity – are precursors or simply background geologic noise.

Precursors are often only recognised as such after a large earthquake. And many earthquakes occur without any identifiable precursor, even in retrospect.

There are also questions as to whether Japan's monitoring efforts are focused in the right place. Recent studies by seismologists at the Ministry of Construction have indicated the possibility of a significant quake occurring in the Izu area between Tokai and Tokyo. The city is overdue for a big quake, according to several theories. Japan has had numerous killer quakes outside the Tokai monitoring network, including a 7.8 earthquake off the coast of Hokkaido last year that claimed more than 200 lives.

Kiyoo Mogi, chairman of the six-member panel that will make the call on the Tokai earthquake and former head of the University of Tokyo's Earthquake Research Institute, says several factors make the Tokai region more suited than others for what he calls "a national experiment".

The region's geology is straightforward, so they can narrow down the likely location of the anticipated earthquake. Historically, strain along the Suruga Trough has been released in infrequent large earthquakes, rather than numerous small ones. The evidence is that significant strain has accumulated along the fault since the region's last big earthquake.

Recognising precursors will still be difficult. Mogi says they now believe that precursor patterns may be particular to each section of a fault. He says if they knew what precursory phenomena occurred the last time that section of the fault slipped, in 1854, they would be able to predict the next earthquake. Instead, the six experts are watching for the rapid uplift of the crust on the westward side of the trough that preceded quakes along adjacent sections of the fault in 1944 and 1946. This all makes a successful prediction a long shot.

Aside from the Tokai effort, scientists outside the programme are disturbed that it is so generously funded and has so little to show.

Prediction research elsewhere withered as scientists who could not convince review committees of the scientific merit of their research lost their funding. Japan's prediction research activities, primarily overseen by the Ministry of Education, Science and Culture, are subject to no such review.

A sub-committee of one of the ministry's innumerable advisory bodies draws up five-year plans. But, in effect, the budget is divided among researchers and institutions in the same proportions each year.

The public, and even public officials, remain largely unaware that Japan's scientists are debating whether prediction is impossible or merely difficult. Most citizens do not realise that Tokai is the only region in which the government even intends to attempt a short-term warning.

High public expectations are coming back to haunt the six-member panel of experts, which must conclude that the gathered data indicate either "a cause for concern" or "no cause for concern". Mogi would like to add a third category between the two that would indicate "some level of concern".

Many scientists agree a "maybe" is not unreasonable, given the state of the art. Public officials, however, are insisting the experts make an "it's coming" or "it's not" decision. Meanwhile, the controversy might be settled if the experts get their call from the technicians monitoring the Tokai data.

Promise of calls to come

Life would seem much easier sometimes if we had a way of proving previously made promises. Prices quoted on the telephone could be verified and hotel reservations double-checked.

US and British telecoms companies are negotiating to purchase a new technology which provides such a service. A New York social worker, JoAnn Zucker, has obtained a patent for "certified" telephone calls, faxes and electronic mail and will grant licences to telephone groups in August.

The new technology is also being considered by the US federal court system for approval as a legal document. The certified messages would have a number of applications, says Alan Zucker, a former economics publisher who is promoting the product.

US hospitals are interested in certified telephone calls to help them document communications. If a patient is not able to make a medical decision, for instance, the next of kin must be contacted. Currently, this means a witness listening to the conversation between the physician and the relative. Certified telephone calls would make the witness unnecessary. They could also be used to verify over-the-telephone orders and requests. Courts could serve a summons via fax.

The sender calls, faxes, or E-mails a telephone company providing the service. If the sender does not want to talk to the recipient, the telephone company records the message, then sends it on, taking note of when the message was sent and received. The message can be programmed to be sent at two-hour intervals, until it has been heard. In the case of E-mail or fax, a photo of the message is preserved. If the sender wishes to talk to the recipient, the message is recorded simultaneously with its delivery.

In 1993, 238m certified letters were handled by the US Postal Service, and the Zuckers believe the new product could replace much of this business.

Victoria Griffith

MANAGEMENT: THE GROWING BUSINESS

Missing link on training

Does training for owner-managers of small companies make their businesses more successful at creating jobs or increasing profits? The answer is that it might, but it might not.

According to research into the benefits of training, collated by Warwick University's Professor David Storey*, there is no evidence to suggest that more training leads to better business performance.

"The lack of a clearly demonstrable link between training and firm performance is one of the reasons why many firms are reluctant to invest in human resources," say Newcastle University researchers.

The findings have startled the Confederation of British Industry. Until now the CBI has tended to trot out Department of Trade and Industry figures that training can reduce failures in businesses from a rate of one in three to one in 10. Storey says he has failed to find the ultimate source of this DTI claim.

Following Storey's research, the CBI has convened a working group to look at the effectiveness of training. And it is circulating a questionnaire to its members with the intention of developing a policy on management development in smaller companies ahead of the CBI conference in November.

"There is a feeling that training is 'a good thing'," says Ian Peters, CBI deputy director for smaller companies policy. "There has never been an attempt to measure training against specified objectives."

The CBI agrees with Storey and other academics that the government has tended to measure inputs – how many training courses are provided – rather than whether the courses do any good. "Particularly with the development of Business Links there is a need to be more focused on the sorts of support the government is providing," says Peters.

RG

* *Understanding the Small Business Sector – David Storey – Routledge £16.99.*

A campaign designed to promote self-employment is about to be launched, writes **Richard Gourlay**

Going it alone

When Miguel Forde lost his job as a furniture restorer he received some second-rate suggestions about what he should do next. In particular, the government's Restart Scheme, which tries to help the long-term unemployed, kept trying to persuade him to take a job packing supermarket shelves.

Fortunately, the 23-year-old Forde, who was trained but lacked many formal qualifications, had a higher opinion of his abilities. "There is no point in you, for example, being trained as a journalist and going to do shelf packing," says Forde.

With two friends Michael Barrett and Henroy McPherson, who lost their jobs about the same time, they tried to start their own restoration company. After taking a business course run by Urban and Economic Development (Urbed), which aims to regenerate run-down areas, they heard of the Prince's Youth Business Trust, whose president and enthusiastic patron is the Prince of Wales.

With the help of £3,000 in PYBT loans and grants they were able to set up Michanuels of London in Deptford, south London, which is just complating its first year.

The PYBT, says Forde, took a crucial step that should be considered by many more people in his position. Led by Jeremy White, the new chief executive, the PYBT is about to launch a national campaign to demonstrate that self-employment is a real alternative to unemployment.

About 22,000 people have already got the message in the PYBT's first 10 years. Aimed at people who are disadvantaged by their educational, economic or ethnic minority backgrounds or by physical disability, the charity has disbursed £40m. Four thousand people receive loans and grants a year and two-thirds of their businesses survive into their third year.

White is fond of saying the PYBT is one of the largest consultancy services in the UK. Its 5,000 advisers give three-quarters of a million hours of free advice a year, a factor Forde and his colleagues found exceptionally helpful in their first year.

The PYBT's achievements have been widely recognised: in March the government, with cross-party support, committed itself to giving the PYBT £10m over three years if the PYBT could raise the same amount from industry.

While the government and those ceptains of industry who have been touched for a contribution may be well aware of PYBT, there is a problem. In spite of marketing itself through Tecs, Job Centres and banks, the PYBT's message may not be getting through to where it matters – the street.

Forde, for example, did not immediately think of the PYBT when he was looking for backing. "I thought you had to be some rich kid before they thought you were worthy of them," Forde says. Hence the marketing drive.

White is also trying to recruit more advisers. The success rate of PYBT-backed businesses is much higher than that achieved by banks that back small start-ups. White believes the secret is the hand-holding they receive from advisers. But whila there are plenty of volunteers in Surrey, they are much harder to find in south London.

Longer term, White is considering trying to raise money through a governmant-guaranteed eurobond issue. Such guarantees might be classified as part of the government's public sector borrowing requirement, a problem that has yet to be resolved.

White recognises that any future government funding will depend on the PYBT's ability to demonstrate it is good value for money. "The onus is on us to understand our target market more and to show that self-employment provides a viable alternative to unemployment."

White is also aiming to change the PYBT's focus. He wants even more of its funds to be disbursed as loans rather than grants – because of the discipline this instills. More fundamentally, he wants to shift away from a welfare role. He defines the PYBT as an "enterprise charity" that supports people who want to start sustainable businesses but who could not do it alone.

"We see a lot of people who are very needy," says White. "There are other channels that are better equipped to give more welfare help. We are more interested in giving people the chance to go into enterprise."

Already the PYBT has backed some ventures that have grown into sizeable businesses. Its biggest success, measured in turnover terms, is a mobile milk-testing company that has a turnover of over £6m. Others that are growing and starting to provide employment include a business making animated film titles, a geological surveyor, an agency recruitment for charities and a hospital entertainment group.

What the PYBT backs is people with bright ideas and enthusiasm, White says. "But they do not have the other dimensions that bankers could look at. No qualifications, limited literacy and numeracy no capital or family funds. But being articulate is only one factor; very often resourceful determination is more important."

The determination of Forde and his partners has carried Michenuels through its first year. Forde, who is no longer drawing state benefit, says he is earning less than when he was last employed. "But I am happy. It is still early stages," he says. "The last three months have been good. If it keeps up we can pay ourselves more."

Furnished with funding (left to right): Michael Barrett, Henroy McPherson and Miguel Forde with Jeremy White — Colin Beere

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The softly, softly approach

Motoko Rich looks at alternative funding for fledgling companies

To borrow money for small business expansion you must prove that you already have it.

This fact was discovered by Denise Lane Quality Garments, a bridal gown manufacturer and industrial seamstress service in North Kesteven, Lincolnshire, when it approached an investment trust company for a business loan to expand to new premises. It was turned down because its turnover was below £500,000.

"Unfortunately, we are looking at £130,000 annual turnover now but if we get the second site we will increase to £500,000," says co-owner 29-year-old Mark Faria. "So we can't have the money to expand until we expand and get the money."

Faria and his partner, Denise Lane, have since been awarded a low-cost £5,000 loan from a local scheme sponsored by the North Kesteven District Council, the Lincoln Enterprise Agency, the South Lincolnshire Enterprise Agency and Midland Bank. They are using this money to buy industrial sewing machines but they still need £38,000 to complete their expansion plans.

For many small businesses run by young owners and with turnovers under £500,000, financing the growth of the business can be as difficult as finding the money to start it. Banks and other corporate lenders are often relnctant to issue commercial loans to small businesses run by young people, even with viable proposals for future growth, because they are unable to provide sufficient capital or have few assets to offer as security.

Youthful business owners are turning increasingly to alternative sources of funding. A number of soft loan schemes like the one which aided DL Quality Garments have sprung up around the country.

Many of these schemes – lending organisations which offer finance to small businesses at either no interest or below market rate levels of interest – also lend money on no security or with generous repayment holidays.

These lending organisations will look seriously at business plans rejected by the banks. "We look at businesses that do not have enough security or a track record to interest a bank," says John Petherbridge, director of the London Business Growth Fund, a loan scheme of Greater London Enterprise, a regional smaller-business development agency, for small companies that have been trading at least one year.

The schemes do not want people to think they are just giving the money away to anyone with a half-baked idea.

"We see ourselves as hard on the business and soft on the terms of the loan," says David Irwin, director of Project Northeast in Newcastle. "We would take the same view as to whether a business is likely to succeed as a bank would."

Sponsors of soft loan funds are drawn from the public and private sectors, including the high-street banks. Many of the soft loan schemes now have enough cachet to help young business borrowers obtain traditional commercial finance in addition to soft loan funding.

The Prince's Youth Business Trust, for example, which gives expansion loans of up to £5,000, has negotiated links with three high-street banks. It is developing a commercial loan scheme for its entrepreneurs with Barclays, Lloyds, Midland, National Westminster and TSB.

Midland has also agreed to make expansion capital available to PYBT-sponsored proprietors through soft loan schemes which the bank supports.

Many of the schemes provide training and advice to the business owners, and the kind of one-to-one advice that counsellors at these organisations offer is one of the reasons why banks have agreed to go into partnership with enterprise agencies and local councils to sponsor soft loan schemes.

"If a loan is approved the local enterprise agency can provide on-going help to the owner and reduce the chances of that business failing," says Neil Harle, manager of business sector marketing for Midland Bank, which co-sponsors 30 soft loan schemes around the country.

Advice is perhaps most crucial when the company is pursuing finance. A business plan has to be pitched correctly if a fledgling company is to solicit a loan successfully. It must also have a financial perspective, one that the banks will understand. Knowing the language of finance is one of the keys to a successful funding proposal.

LEGAL NOTICES

IN THE MATTER OF
ZOMEY TRADING COMPANY LIMITED
(IN COMPULSORY LIQUIDATION)
AND IN THE MATTER OF THE INSOLVENCY ACT AND RULES 1986

[illegible]

Dated 19th July 1994
I JACOB and N H COOPER Joint Liquidators

FALMOUTH DEVELOPMENTS LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, [illegible]

Creditors are only entitled to vote if:

(a) [illegible]

(b) [illegible]

Dated this 20th day of July 1994
N H COOPER and N RUDDOCK Joint Administrative Receivers

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BUSINESS AND THE LAW

Restrictions on imports lawful

EUROPEAN COURT

National measures which restrict the sale of foodstuffs, including imported foodstuffs, to those prodncts which atats on their labels the types of preservatives used were held to be lawful by the European Court of Justice. But national restrictions on the amount of salt that could be used in bread were unlawful in that they were in breach of the EC treaty provisions on the free movement of goods.

This preliminary ruling was given in the context of criminal proceedings against a Belgian baker wbo had sold imported bread from the Netherlands and thereby infringed Belgian law twice: first, because the bread contained a higher percentage of salt than was permitted under the national rules; and, aecondly, because the labels on the bread indicated neither the exact specification nor the EC number of the preservatives used, but simply stated that the products contained food preservatives.

The Court was first asked to rule on whether the Belgian rules on the level of salt that could be used in bread sold in Belgium were contrary to EC treaty provisions on the free movement of goods. The Court first found that there were no relevant EC rules on the amount of salt that could be used in bread and, therefore, national provisions applied. The Belgian law set the limit at 2 per cent, wbereas under Dutch law salt levels of up to 2.5 per cent were permitted. The Court found that, although there were no EC harmonising measures, the Belgian rules did restrict imports of Dutch bread (which was lawfully sold in Holland) and, as such, these rules were contrary to the EC treaty provisions on the free movement of goods. The Court then had to determine whetber such restrictions could be justified on public health grounds, as claimed by Belgian authorities.

On this question, the Court referred to its decision in the German beer case, in which the Court had held that any alleged risk to human health could be determined only on the basis of relevant scientific research. The Belgian authorities, however, did not supply such evidence. They merely said they considered the higher level of salt allowed in the Netherlands "too high". Moreover, Belgium could have chosen other means of protecting consumers than the recourse to an outright ban: appropriate labelling would have been less of an impediment to free movement and could have ensured sufficlent protection of public health. Consequently, the Court held the Belgian rules could not be justified under the EC treaty.

With regard to the description of preservatives on labels, the Court found that EC rules provided that member states could require labels to contain a full description of the preservatives used, but that this was not compulsory. In the present case, the Belgian legislation required a full description of preservatives used, whereas the Dutch legislation did not. The Court was asked whether in such circumatances, the Belgian authorities could lawfully stop bread, whicb was correctly labelled according to Dutch law, from being imported into Belgium.

The Court held first that the Belgian labelling requirements were contrary to the EC treaty provisions on the free movement of goods as they made it more difficult to import the same goods from other member states which did not have the same labelling requirements. The ECJ then went on to say that, since the relevant EC labelling rules did not provide for complete harmonisation, member states were still allowed to invoke the EC treaty provisions or the case law of tha Court to seek to try to justify the measures in question. The Court found that for consumers to be properly protected, they had to be in a position to know from a label what a given product contained. Tberefore, sucb labelling requirements as provided for in the Belgian rules served the purpose of consumer protection, which had already been accepted by the Court to be a mandatory requirement justifying restrictions on the free movement of goods. The Court also found the Belgian rules were proportionate in that they interfered much less with the free movement of goods than other measures.

Case C-17/93: J J J Van der Veldt ECJ 5CH, July 14 1994

BRICK COURT CHAMBERS, BRUSSELS

A case for treatment

Anthony Barton on the use of legal aid for multi-party medical litigation

Difficulties encountered in large, multi-party medical and pharmaceutical litigation highlight the problems inherent in the present system in the UK of providing legal aid to allow such cases to come to court.

The collapse earlier this year of the largest publicly funded personal injury claim in the country illustrates the disadvantages of the current system. The action, brought by 5,000 claimants against Roche and Wyeth, the manufacturers of the benzodiazepine (tranquilliser) drugs Valium and Ativan, collapsed after six years, at an estimated cost to taxpayers of £35m. The action fell apart when the Legal Aid Board of England and Wales withdrew funding, saying tbe claims did not satisfy the requirements for legal aid.

Legal aid, according to the board, is a system of government funding for those who cannot afford to pay for legal advice, assistance and representation. Civil legal aid is available to those able to demonstrate they have "reasonable grounds" for bringing a claim and who satisfy the stringent financial eligibility criteria. Middle-income people, therefore, are effectively denied access to justice, bowever good their claim.

Even those claimants who do qualify for legal aid frequently receive no compensation, because of the low success rate in court. Lawyers are too often the only beneficiaries of medical and pharmaceutical litigation.

Is legal aid, then, merely a state-funded and self-serving industry which suits lawyers as justice-mongers and purveyors of compensation?

In the benzodiazepine case, the main beneficiaries were certainly the lawyers and experts: not a penny has been obtained for any claimant. The irrecoverable expense to tbe manufacturers was also passed on to the public.

Other multi-party actions involve infant drinks, smoking, diagnostic agents, surgical devices, various drugs and the power industry. These are invariably legally aided, widely advertised and are conducted witb mucb media hype.

The Legal Aid Board recently published a report on multi-party actions, following the benzodiazepine case. It makes disturbing reading, and raises questions over both the cost and the quality of such cases.

The board admits that it has "doubts over the extent to which legal aid lawyers can have regard to the costs of litigation". And it concedes that "there is no incentive on the solicitor to act as a responsible filter for dubious cases, as there is no effective sanction available for shoddy work or bad cases being taken".

The report implies that fraud by solicitors on the legal aid fund is "widespread", because it is not possible for the board to exercise detailed control over all publicly funded litigation. It has to rely upon the assisted persons' legal advisers to act responsibly and competently.

The board recognises that many funded actions are "weak" or "hopeless". It describes a "bandwagon effect" with "legal advisers getting carried away by everything surrounding the action and losing sight of the viability of individual cases". The board acknowledges that applicants may often feel that they have nothing to lose by giving it a go – the lawyers, however, are paid whatever the outcome.

Contrary to popular belief, legally aided claimants against institutional or corporate defendants enjoy a strong position.

First, they are not liable for the defendant's costs, even if they are unsuccessful. The defendant must pay his own costs, even if successful. Thus the plaintiff is in a no-lose position and the defendant is in a no-win position.

The courts have expressed concern that this rule could give rise to abuse and injustice. Lord Denning referred to the "inequality of bargaining power" in favour of legally aided parties. Lord Donaldson observed that "legal aid helps those who lose cases, not those who win them". Most recently, the Court of Appeal has remarked: "It is no answer that there are public authorities or insurance associations that are fcoting the bill. The National Health Service has better things to spend its money on than lawyers' fees."

Second, the board relies on the advice of plaintiff lawyers in deciding wbether or not to fund a claim. Such advice by definition cannot be independent, since the plaintiff's advisers have a financial interest in the advancement of the claim.

Medical and pharmaceutical claims are complex, expensive and have a low success rate. The legal and scientific issues are not readily separable. The legal process imposes a separation of medical and legal professional roles. Further, the legal aid area committees consist only of lawyers, and do not contain scientists and clinicians. It is difficult to see, therefore, how these committees are able to evaluate complex scientific issues. The board, however, asserts that these committees are "well positioned to form a clear and objective opinion of the prospects of success".

Despite using phrases such as "shoddy work", "weak cases", "dubious cases", "hopeless cases" and "lawyers getting carried away", the board insists: "It is wrong to assume that the opinions based on behalf of the applicants would give a misleading or over-optimistic assessment of a case."

The facts, however, speak for themselves. According to an independent survey, the success rate of legally aided pharmaceutical actions is zero.

In the benzodiazepine action, there were 3,000 Ativan claims. According to the plaintiffs' advisers, four barristers had assessed 1,200 cases as "strong in law" and had "very good high prospects of success". The Court of Appeal, by contrast, referred to the "considerable problems on causation . . . distinguishing between the effects of the drug and the underlying condition for which it was prescribed". The court observed that "these considerations may present real problems in many, if not all, of the cases". Moreover, if only 1,200 cases were "strong", why were proceedings started in 3,000?

Decisions involving the expenditure of millions of pounds of taxpayers' money ought to be based on independent, objective and expert advice. There must be independent claims assessment if public confidence in legal aid is to be restored.

The present system is unacceptable to plaintiffs, defendants and the taxpayer. What is required is a judicial process which is investigative, independent, expert and integrated so as to straddle law and medicine.

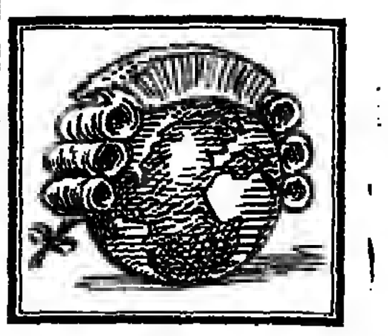
The board acknowledges that courts may not be appropriate for these cases, and proposes a tribunal consisting of a legal chairman and appropriate medical experts. The idea is to change the process, not the basis, of compensation.

A contingency "no win, no fee" system, for paying solicitors according to results in certain cases, is due to come into effect later this year. It will widen access to justice. Far from leading to a US-style litigation "free for all", the risk of legal costs (which does not generally apply in America) will impose a commercial discipline, so tbat claims are only advanced when properly investigated and assessed. The pursuit of hopeless claims will remain the privilege of the rich, the foolish and the legally aided.

Change seems inevitable. Whatever solution is adopted, there is one certainty: any proposal to remove from lawyers the indiscriminate largesse of the state, and impose any effective form of accountability, will be met with howls of protest.

The author is a medically qualified solicitor who specialises in medical and pharmaceutical litigation

LEGAL BRIEFS



Firms spend less on high-tech than expected

UK law firms which, on average, last year planned to invest £72,000 on new information technology systems spent only £48,000, according to a survey by accountants Robson Rhodes.

There has been a modest increase in the number of firms providing a workstation for each partner (np from 11 per cent to 14.7 per cent) and for each fee earner (up from 7 per cent to 10 per cent).

Cost cutter

London law firm McKenna & Co has launched its specialist solicitor advocacy services for planning inquiries and disputes. Under this service, a solicitor, rather than a barrister, appears as advocate. The firm claims this results in savings of 30 per cent of the cost of instructing both a solicitor and barrister. The move, according to the firm, is in response to client demand.

Bon Chance

Mr David Goldberg, former deputy general counsel of the World Bank, has joined Clifford Chance, the UK law firm, as a consultant.

He will advise on a range of international work, particularly on infrastructure projects such as transport, energy and telecommunications. Mr Goldberg, who spent more than 20 years at the World Bank, will remain Washington based.

SRT moves

Sinclair Roche & Temperley, the marine and business law firm, has appointed Mr Stuart Mannering and Mr Campbell Steedman as partners at its London offices. Mr Jonathan Rostron becomes a partner at SRT Hong Kong and Mr Neale Gregson a partner of SRT Singapore.

PEOPLE

Fresh partners for new strategic consultancy

Some small but significant ripples in the world of London-based management consultancies.

The Strategic Partnership, in operation only since the beginning of this year, under Peter Smith, 56, as its chief executive, has appointed two big guns to its advisory board.

They are Thomas Frost, 61, former group chief executive of National Westminster bank, now chairman of The London Clearing House, and John Stopford, 54, who holds the chair of international business at the London Business School.

Besides a love of orchids, Frost carries witb him a wealth of banking experience, having first joined Westminster bank (as it then was) in 1950. Among his many business activities, Frost was also a member of the advisory board of the British-American chamber of commerce, between 1987-1993.

A trained engineer, Stopford first started on an academic career in 1968, with posts at the Manchester and then Harvard business schools.

He was a non-execntive director of Shell (UK) between 1973-77, but before that had gained early hands-on business experience by managing a Booker-McConnell subsidiary in Guyana. He has also worked for the United Nations, and still works as a government adviser in developing countries such as Mongolia and Thailand.

Before establishing his new consultancy, Smith was a communications consultant with Burson-Marsteller'a City and Corporate Communications branch.

Meanwhile, Paul Thornton has left PA Consulting group and Chris French departed Prondfoot, to found a new management consultancy, the French Thornton Partnership. They intend focusing on companies attempting to make greater use of information technology.

New sales force head at National Westminster

David Poulton, 48, has been appointed head of regulated sales for National Westminster bank's UK brancb business, with responsibility for directing the bank's 2,700 strong sales force, engaged in selling life insurance, mortgages, pensions and other investments.

Poulton started his working life at British European Airways in 1963, staying with the airline five years before joining Rothmans UK, where he was initially a salesman, rising to become director of the company's sales force. All told he spent 20 years at Rothmans.

Tben in 1988 he joined Lloyds Abbey Life Assurance, moving in 1989 to join Black Horse Financial Services as sales director.

The business of selling financial services has come under close scrutiny in the UK recently. NatWest says it has decided to restructure its sales operations in the light of regulatory and competitive changes, in order to ensure proper emphasis on compliance and training is carried out. Poulton will have the task of monitoring those sensitive changes.

■ NatWest Investment Management has appointed Colin Harte, 37, as a director in the active fixed income area, with responsibility for managing fixed income portfolios for pension funds.

He joins from Worldinvest, where he was director and head of fixed income, responsible for managing \$3.5bn of assets, primarily for US pension funds. He has also worked for Citibank, Hill Samuel, Morgan Stanley and Guardian Royal Exchange.

Insurance Moves

■ **Cam Bradford** bas been appointed executive director of The WORLD MARINE & GENERAL INSURANCE.

■ **Eddie Dove**, below, formerly general manager, has been appointed md of UIA (Insurance).

■ **Paul Haines** has been appointed investment director of SEDGWICK NOBLE LOWNDES.

■ **David Young**, a senior assistant director witb Morgan Grenfell, has been appointed finance director of BRADSTOCK GROUP.

■ **Sandy Mackintosb**, formerly head of sales and marketing for London Life, bas been appointed sales and marketing director of LIBERTY LIFE.

■ **Hngb Morland** bas been appointed chief executive of BOWRING MARSH & MCLENNAN; he is succeeded as chief executive of Bowring Financial and Professional Insurance Brokers by **Mark Hardinge**.

■ **Matt Coffey**, formerly administration director of Aetna UK, has been appointed general manager, and **Mark Davies**, formerly a consultant, technical director, of J ROTHSCHILD INTERNATIONAL ASSURANCE GROUP.

■ **Alan Jackson** has been appointed chairman of WREN HOLDINGS; he replaces **Nicholas Haydon**, who will become non-executive cbairman of Wren Underwriting Agencies from the end of the year.

■ **Jerry Morgan** has been appointed sales and marketing director of WINDSOR LIFE; be moves from the parent New York Life and replaces **Jerry Roberts**, returning to the US to run the San Diego office.

■ **Denby group**, the household pottery manufacturer, has appointed **Pieter Hazenberg**, 42, as group finance director witb effect from August 22. He was formerly financial director of Linread until its recent acquisition by McKechnie group.

Non-executive appointments

■ **Yve Newbold**, company secretary of Hanson, and **David Went**, chief executive of Coutts & Co Group, at COUTTS & Co.

■ **Chris Appleton**, a partner with Smitb and Williamson; **Brian Eyre**, deputy chairman of the UKAEA, as chairman; **Rex Gaisford**, director of Amerada Hess; **Clive Pickford**, chairman of Jones Lang Wootton; and **Timothy Walker**, head of atomic energy division at the DTI, at UKAEA Government Division, responsible for decommissioning nuclear facilities and managing radioactive wastes.

■ **Nigel Graham Maw**, former senior partner of Rowe & May, at STORM GROUP.

■ **Iain Bryce**, former senior partner of Ernst & Young's Hull office, at PROSPECT INDUSTRIES.

■ **Anthony Forbes**, formerly joint senior partner at Cazenove, at The MERCHANTS TRUST.

■ **Ben du Brow** at DEVELOPMENT SECURITIES.

■ **John White**, retired chief executive of BBA Group, at PARTCO; **Gny Davison** bas resigned.

■ **Chris Hampson**, a retired ICI director, at YORKSHIRE ELECTRICITY; **David Clark** is retiring.

■ **Jack Mawdsley**, former chief executive of Tarmac's quarry products division, at VIBROPLANT.

■ **Alan Tritton** as chairman at PLANTATION & GENERAL INVESTMENTS.

■ **Michael Haines**, retired partner with KPMG Peat Marwick, at ANDREWS SYKES.

■ **Peter Aitchison**, chairman of Cotesworth Holdings, and **Lord Selsdon of Croydon**, former director of Samuel Montagu, at J.P. GLEESON.

■ **Robert Shepherd**, chairman of Intercare and retired Pentland director, at PENTLAND GROUP.

■ **Roy Copus**, a director of Thompson Investments (London), at USBORNE; **Peter Harrison** has retired.

■ **Eddie Tie Lim Sung** of John Holdings Berhad at WILLIAM JACKS.

■ **Ernest Fenton**, director general of the Association of Investment Trust Companies, at COTESWORTH & Co.

■ **Anthony Bushell** at GERMAN SMALLER COMPANIES INVESTMENT TRUST.

■ **Simon May** at WHATMAN.

■ **Tony Slipper**, former member of the executive committee of the UK Food & Drink Federation, at UNIMERCHANTS.

■ **Paul Byrne** has retired from LLOYDS CHEMISTS.

■ **Roger Holland**, formerly with McKinsey & Co, and **Brian Watkins**, formerly finance director at John Mowlem, at JOHNSTON GROUP.

■ **Michael Gurner** at SOUNDTRACS.

■ **Bob Hnddie** has resigned from PROTEAN.

ARTS

'White Nights' in St Petersburg

The city is witnessing both the death and renaissance of classicism, reports Alastair Macaulay

St Petersburg, built as Russia's window on the west, is history city. It is not as old as Moscow, or as Russian; but its whole essence – layout, architecture, statuary, ornamentation – is classical. Every foreign visitor is bound to notice this, and every Petersburger is steeped to it. But what is it like to live a modern life in a classical city?

The immense irony of living there struck me on my first visit, ten years ago, for the White Nights festival. Along the canals and the embankments of the River Neva, to front of the palaces whose colours become strangely luminous in the midnight light of late June, numbers of old men stood, for long hours, fishing to supplement their limited groceries.

The contrast of old and new appeared so great, in the Leningrad of 1984, that I wondered why the Russian communists had not adopted a Maoist attitude to history and destroyed the monuments that so reproached their daily lives. And yet the government was still spending fortunes on gradually repairing the damage done to the city by the German siege in the second world war, and old women queued for hours – with none of the quick-admission privileges granted to foreign tourists – to enter the city's most richly adorned interiors.

On revisiting the city for the White Nights of 1994, now that it has regained its original name of St Petersburg, I found a new set of ironies. Cindy Crawford's photograph hangs large in Nevsky Prospect (the city's main street); the city's trams bear Rothman's adverts (in English); the great Palace Square on one side of the Hermitage was occupied, for one long weekend, by an Adidas softball promotional display. Russians no longer have to queue for hours, either to enter the Hermitage or to buy groceries. Whether they can afford to buy groceries any more is another matter. There are far fewer fishermen, but many more beggars. And the city is dirtier, dustier.

Everyone today seems happy that the city has been re-named St Petersburg. Nonetheless, though Lenin's name is no longer ubiquitous, his statues still stand in many places around the city. He too is part of history, and accepted as such. The guides refer to the more grim aspects of the communist regime in the same tones that they discuss the darker episodes of life under the Tsars.

The truth is that life in so classical a city was always ironic: as reading Dostoyevsky should remind one. From my hotel to the city centre, I would walk each day routes that had been taken by the leading characters of *The Idiot* during their most distraught episodes.

We tend to think of classicism as something measured, formal, Apollonian; and this side of Petersburg is obvious enough. But classicism, in Petersburg as in Ancient Greece, is large enough also to contain wildness, morbidity, despair.

Canal in St Petersburg: the Kirov ballet may be in decline but opera and drama are flourishing in Russia's 'window on the west' Lydia van der Meer

The Kirov (or Maryinsky) Ballet, however, is no longer a classical company – if we are to use the word "classical" to any serious sense. There comes a point, alas, when the true classicism of some ballet companies declines into hollow academicism. This happened, decades ago, in Paris to the Paris Opera Ballet; and it is now happening, I believe, in New York to New York City Ballet. In terms of academic distinction, these three companies are probably the foremost in the world; and they are fed by first-rate schools (though it is possible that Kirov Ballet's decline in style has been occurring at school level also). Most Kirov dancers have numerous stylistic niceties in their dancing that are not to be found in, say, the Bolshoi of Moscow; and possibly the dancers find inspiration for some of those niceties from living amid the architecture of St Petersburg. And yet the firm core of Kirov style is being gradually drained away (whereas the cruder Moscow style still retains a certain classically vital simplicity).

Just take two of the key features of classical style in ballet: musicality, and stance. In terms of musical timing and phrasing, the Kirov has been musically decadent for decades, especially to dictating convenient decelerations of tempo and then ignoring the beat and phrase that they themselves have dictated. The decline of stance is more recent. When first I saw the company in 1982, I would have paid just to see the dancers stand, walk, and take curtain calls; they made these simple matters radiate with classical purity. By 1992, the dancers were standing like gymnasts, with an anti-classical arch of the pelvis and lower spine. As a result, an exaggerated dichotomy of upper and lower body has developed, and an element of strain has distorted all Kirov deportment.

The death of classicism – or its chilling translation into the mere facade of academicism – is a depressing spectacle. It has happened in other arts and other cities, but to see it happen to St Petersburg's great ballet company is one irony I could do without when visiting that city today. Some observers attribute the Kirov Ballet's decline to financial and political causes, and no doubt the company's economic situation is serious. It is obliged to tour extensively to support itself. But the same is true for St Petersburg's Maly Drama Theatre, which has also been touring extensively for years now, and which, on its seven-week tour of Britain this year showed theatrical standards of the highest calibre.

And during the very period that the ballet of the Kirov/Maryinsky Opera House has declined, the same theatre's opera has been enjoying an extraordinary renaissance. Truly extraordinary: for the city has not really been a serious home for opera since the time of the Tsars. In 1984, the Kirov Opera was not merely backwards in terms of stage production, it was also a mess in musical terms, with only Sergei Leiferkus an exception, casting his baritonal pearls among the surrounding swine.

Today, the company is a nonpareil model of ensemble, and it possesses solo voices and instrumentalists of world class. Several of these singers – Galina Gorchakova, Olga Borodina, Gegam Grigorian, Leiferkus, Vladimir Chernov, and others – are already internationally acclaimed. Yet they keep returning to St Petersburg, and principally because of one man – the artistic director of the Kirov Opera, Valery Gergiev. Ten years ago, the White Nights festival was mainly of interest to balletomanes; the best musical evenings occurred not at the Kirov at all, but at the city's second opera house, the Maly. Now, however, the festival is, musically, world class. I never had the time this year to go to the Maly, because Gergiev & Co. were producing so rich a supply of great performances at the Maryinsky (or at the Philharmonic Halls).

St Petersburg was conceived not just as a classical city but also as Russia's window on the west. Ever since Peter the Great, the city's founder, the debate between Europhiles and Europhobes has been a central issue in Russian culture. Before Diaghilev brought Russian ballet and opera to the west, he had spent years audaciously bringing western art to Russia; he also worked hard to re-introduce Russia to overlooked aspects of Russian art. The centre of his activities in those days was St Petersburg, which was then the country's capital. When Moscow became the capital city again under the communist regime, the xenophobe strain of Russian culture became uppermost again.

Today, however, the beauty of Gergiev's work at the Maryinsky is that he is working along Diaghilev lines. As the White Nights festival showed, the Maryinsky today honours Russian music – not just Glinka, Rimsky-Korsakov, and Tchaikovsky, but also Prokofiev (who returned from the west to communist Russia), Shostakovich (who suffered under the communist regime), and Stravinsky (who chose to remain in western exile from his native land). It also gave performances of western repertory, from Haydn. And the performances I heard Gergiev give of Berlioz's *Damnation of Faust* and Verdi's *Force of Destiny* were simply the best I have ever heard. Suddenly the window on the west is again open wide.

The history of Russian culture in this century is extremely curious. Russian art was a galvanising force upon artistic modernism throughout the world; and the Russian revolution was as key an event for the culture of the observing world as the French Revolution has been for the Romantic movement. Yet when the doctrine of Leninism-Marxism descended upon Russia, its effects upon artistic life was stultifying, even crucifying.

Today the doctrines have lifted with remarkable speed; but it will take far longer for their effects to disappear. St Petersburg is the most classical city in the world, but classicism is a virtually extinct strain to world culture. Is it to become a museum city? or something more? One watches the fall of the Kirov Ballet with dismay, the rise of the Maly Drama Theatre and the Kirov Opera with exhilaration. For a westerner, the most exciting fact is simply that one *can* watch. Russia, which did so much to shape our century, is gradually re-entering it; and St Petersburg – History City – is open again to the west.

Promenade concert/**Richard Fairman**

Bach's St Matthew Passion

It was a good idea to include snippets of Proms' history in the programmes for the 100th season this year. Without consulting the "Seasons past" page on Sunday, who would have guessed that it took until 1968 for a piece of music as central as Bach's St Matthew Passion to receive its first performance in the Promenade Concerts?

In the early years Henry Wood was a keen advocate of Bach's music, but that only led to excerpts from the score. One of the tenor aria was sung to 1907 and the celebrated alto aria "Erbarme dich" came round once a decade, but a complete St Matthew Passion was evidently out of the question. It is a sign of how public appreciation of music has been raised that the St Matthew Passion, sung in German, has become commonplace in the Britain of the 1990s.

The audience on Sunday may not have been as large as the Proms hoped, but a two-thirds-full Royal Albert Hall at 11am on one of the hottest days of the year is not a bad turnout. Tha audience to performer ratio was also balanced in the accountants' favour, as this was very far from being the grand Victorian choral pageant that would automatically have been offered 100 years ago.

The American conductor Joshua Rifkin was the first to argue that Bach's choral music was originally intended to have one solo singer to a part, not a full choir. Although the subject is still open to dispute, wa have had enough experience of small-scale Bach performances over the last decade to come to a conclusion on the assential difference: the great choral works become less public celebrations, more a private avowal of faith.

Having a minimal St Matthew Passion in a venue as vast as the Royal Albert Hall might seem a bizarre experiment, but it seemed to work well enough on Sunday. One of the pleasures of hearing eight solo singers in the choral movements is the marvellous clarity and blend that experienced early music singers can attain.

Rifkin led a flexible and unexaggerated performance, less fussy with rhythm than Leonhardt, less concentrated than Gardiner. The balance was also well-judged, despite the singers being outnumbered by the combined forces of The Bach Ensemble (from the US) and St James's Baroque Players. John Elwes showed sterling stamina in tackling both the Evangelist's music and some of the solo tenor arias, though he was strained at the top; Stephen Varcoe was a light, eloquent Christus. Among the other soloists, I enjoyed Nancy Argenta's soprano and Mark Padmore's assertive tenor. Steven Rickards's pure counter-tenor projected well, but he pecked at Bach's long, flowing phrases.

Almeida Festival

Thomas Adès: a special talent

For its last concert on Sunday, the Almeida Festival chose to give us something quite open-ended, not conclusive at all: a sampling of the music of Thomas Adès, with himself as pianist, four other performers and other music of his own choice.

Young Adès is a recent Cambridge product – a double-starred First to music, to fact (we shall not mention that again); much fêted in Cambridge, and therefore more widely. A general conviction that there is a rare talent here, though still finding its feet, is supported by his extreme finesse at the keyboard.

Like several other critics I was greatly taken by his Park Lane Group recital last year, which included his *Still Sorrowing*: a most delicately calculated and imaginative piece for "prepared" piano, with ambitions well beyond a clever exercise. Sunday's Almeida concert, however, left us tantalised.

Of the non-Adès music, John Woolrich's *Light and Rock* songs on Yugoslav folk poems were astringent and effective, with roots alike to Britten and in Berio's *Folk Songs*. Two Conlon Nancarrow canons, delivered by Ades with uncanny precision, were as deeply unsettling as Nancarrow's studies always are. (Until you've heard some Nancarrow, you don't know how radically your ears can be twisted.) The reduced suite from Stravinsky's *Soldier's Tale*, with a terrific violinist in Anthony Marwood, fairly crackled. Only Per Norgaard's *Lin* stood somewhat apart to this programme of lean music; its sober, neo-romantic expansiveness needed different ears from the rest.

But Adès himself? Well: he exhibited three quite disparate works. *Five Eliot Landscapes* was one, for very high soprano – soprano *in altissimo*: the Canadian Valdine Anderson floated and sculpted her Straussian lines exquisitely, over intricate, multi-fingered whispers from the Ades piano. She reappeared to sing "Love Me", a delectable 1930s pastiche which will wind through an Adès opera due next year at the Almeida. Finally we had *Catch*, a one-off *tour de force* in which the official scenario – a clarinet teased, rejected, and then welcomed and absorbed by the other instruments – was realised in musical terms that went well beyond the simple joke.

All these pieces were musical mousetraps: intricate mechanisms, eccentric but very carefully determined, which in due course sprang the traps that were their point. *Very* clever exercises, and original; the fine-spun detail answers perfectly to his guiding intentions. We shall have to wait for more and larger Adès music, nonetheless, to discover how much more he has to say. So far, his is evidently a special talent.

David Murray

INTERNATIONAL ARTS GUIDE

■ **AMSTERDAM**

Concertgebouw Tonight: piano recital by Lori Kaufman, Mark Finlay and Jung Hwa Lee. Tomorrow; Josef Suk directs Suk Chamber Orchestra in a Czech programme. Thurs: Yuri Bashmet viola recital. Fri: Libby Yu piano recital. Sat: Alexander Vakoulsky conducts Netherlands Youth Orchestra in works by Dvorak, Rakhmaninov and Tchaikovsky, with piano soloist Wibi Soerjadi. Sun: Georgian Chamber Orchestra plays Mozart, Shostakovich and Mendelssohn (24-hour information service 020-675 4411, ticket reservations 020-671 8345)

■ **ATHENS**

ATHENS FESTIVAL
Greek National Opera Ballet presents Rudi van Dantzig's production of Prokofiev's Romeo and Juliet tomorrow and Thurs at the Odeon of Herodes Atticus. Hildegard Behrens, Dmitri Sgouros and Mstislav Rostropovich are soloists in a Sakharov memorial concert on Sat. The Noh-Kyogen Theatre of Japan is guest ensemble next Mon and Tues, followed by the Peter Hall Company's production of Hamlet on Aug 5 and 6. Visitors later in the festival include Yevgeny Kissin, the Vienna Philharmonic and Saito Kinen Orchestras, and the Lyon and Kirov Ballets (01-322 1459/01-322 3111)

EPIDAURUS FESTIVAL
The annual festival of ancient drama in the 1,400-seat amphitheatre at Epidaurus hosts performances of Greek classical drama on most weekends throughout the summer. Peter Stein presents his marathon Moscow version of Aeschylus' The Oresteia on Sat and Sun. Tickets are available daily at the Athens Festival box office or the theatre of Epidaurus on Fri, Sat and Sun (0753-22006)

■ **CHICAGO**

RAVINIA FESTIVAL
Tonight: Tony Bennett. Tomorrow: Peter Paul and Mary. Thurs: Ralf Gothoni piano recital. Fri: Hugh Wolff conducts Chicago Symphony Orchestra in works by Falla, Berlioz, Gounod and others, with soprano Kathleen Battle. Sat: Itzhak Perlman plays Khatchaturian's Violin Concerto. Sun: John Williams conducts Chicago Symphony Orchestra in film scores. Next Mon: David Owen Norris piano recital. Aug 4: Marilyn Horne. Aug 8: Hermann Prey. Aug 11: Midori. Tha festival runs till Aug 28. Ravinia is situated in Highland Park, within easy reach of downtown Chicago by train, bus or car. To order tickets by phone, call 312-ravinia. Outside the metropolitan Chicago area, call 1-800-433-8819. Tickets can be ordered by fax 24 hours a day: 708-433 4582.

THEATRE
● A Little Night Music: Michael Maggio directs this Sondheim classic, hailed as the perfect romantic musical comedy. Till Aug 7 (Goodman 312-443 3800)
● Jeffrey: as part of their Pride Performance series of gay and lesbian theatre, Bailiwick Repertory presents the Chicago premiere of Paul Rudnick's hit comedy about love and dating in the age of Aids (Bailiwick 312-327 5252)
● Talking Heads: Steppenwolf alumnus and famed character actor John Mahoney directs the American premiere of Alan Bennett's tragicomic series of monologues (Steppenwolf 312-335 1650)

■ **COPENHAGEN**

Tivoli Tonight: Aldo Ceccato conducts Tivoli Symphony Orchestra in works by Tchaikovsky and Musorgsky/Ravel, with piano soloist Oleg Maisenberg. Tomorrow: Noel Lee plays piano music by Fauré, Dutilleux and Debussy. Thurs: Papa Bues Viking Jazz Band. Fri: French song recital. Sat: Tuomas Ollila conducts Tivoli Symphony Orchestra in works by Lindbergh, Paganini and Shostakovich, with violin soloist Sergey Azizjan. The summer concert season runs till Sep 18 (3315 1012)

■ **LONDON**

THEATRE
● The Seagull: Judi Dench heads a splendid cast in Pam Gems's new version of Chekhov's play (National 071-928 2252)
● King Lear: Robert Stephens gives a towering performance in the title role of Adrian Noble's RSC production, successfully transferred from Stratford. In repertory with The Merchant of Venice with David Calder as Shylock, and The Tempest with Alec McCowen as Prospero (Barbican 071-836 8891)
● The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about a teacher's relationship with a deaf, dumb and blind girl (Comedy 071-369 1731)
● Lady Windermere's Fan: Philip Prowse directs and designs Oscar Wilde's 1892 comedy. Just opened (Albery 071-369 1730)
● Le Cid: Jonathan Kent directs a new production of Corneille's masterpiece, a story of romantic love in a world where duty is held above passion. Now previewing, opens on Thurs in the Cottesloe (National 071-928 2252)
● The Country Wife: Max Stafford-Clark directs this RSC production of William Wycherley's Restoration comedy. In repertory with T.S. Eliot's Murder in the Cathedral and Ibsen's Ghosts (The Pit 071-836 8891)
● She Loves Me: a delightful West End transfer of Scott Ellis' Broadway revival of the charming 1963 Masteroff, Bock and Harnick musical (Savoy 071-836 8888)

DANCE
Covent Garden The Royal Ballet returns tomorrow for two weeks of performances, following its recent North American tour. This week is devoted to Anthony Dowell's staging of Don Quixote (071-240 1066)
Coliseum English National Ballet presents a mixed bill tonight and Ronald Hynd's new production of Sleeping Beauty from tomorrow till Sat (071-836 3161)

MUSIC
Royal Albert Hall This week's Proms feature the BBC Scottish Symphony Orchestra under Jerzy Maksymiuk tonight and Martyn Brabbins tomorrow, tha CBSO under Simon Rattle on Thurs, the BBCSO under Arturo Tamayo on Fri, the Bournemouth SO under Andrew Litton on Sat, a concert performance of Ethel Smyth's opera The Wreckers on Sun, and the RLPO and Chorus under Libor Pesek next Mon (071-589 8212)
Royal Festival Hall Ralph Stanley and the Cliff Mountain Boys present tonight's programme of American song and dance. Brazilian singer-songwriter Milton Nascimento and band appear in concert tomorrow (071-928 8800)
Barbican Ann Mackay is soprano soloist in a Johann Strauss evening on Fri (071-638 8891)

■ **STOCKHOLM**

Drottningholm Tomorrow: Reinhard Goebel conducts Benny Frederiksson's production of Heavenly Handel, a fantasia on Handel's opera world, starring Anne Sofie von Otter and Barbara Bonney (repeated Aug 5, 7). Fri: Nicholas McGegan conducts orchestral concert (08-660 8225)

■ **STRATFORD**

The Royal Shakespeare Company unveils three new productions over the coming fortnight. Adrian Noble directs A Midsummer Night's Dream in the Royal Shakespeare Theatre (previews from Thurs, Press night next Wed). This will run in repertory with Twelfth Night and Henry V until early October. In the Swan Theatre, Max Stafford-Clark directs The Wives' Excuse, a comedy of manners by 17th century dramatist Thomas Southerne (previews from tomorrow, Press night next Tues, continuing in repertory with Peer Gynt and Coriolanus). In The Other Place, Katie Mitchell directs Henry VI, with Jonathan Firth in the title role. Previews start tonight, opens Aug 10 (tel 0789-295623 fax 0789-261974)

■ **WASHINGTON**

● John Denver can be heard in concert tonight and tomorrow at Wolf Trap. The National Symphony Orchestra gives popular concerts on Thurs, Fri and Sat, with soloists including the Karamazov Brothers and violinist Gil Shaham. Sun and Mon: Bonnie Raitt. Next Tues and Wed: Crosby, Stills and Nash (703-255 1860)
● David Zinman conducts the Baltimore Symphony Orchestra in all-Mozart programmes at Oregon Ridge on Thurs and Sat, with soloists Christian Zacharias and Joshua Bell. David Lockington conducts a Gershwin programme on Sun (410-783 8000)
● A Small Family Business, a farce by Alan Ayckbourn, runs till Aug 7 at Olney Theater (301-924 3400)
● The main summer show at the Kennedy Center is Miss Saigon, the musical love story set during the Vietnam war. Daily except Mon (202-467 4600)

ARTS GUIDE
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Sky News: FT Reports 0230, 2030
SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Bulls, bombs, Brussels

Patrick de Jacquelot gives an outsider's view on the City of London

Is something wrong with the City of London? After successful modernisation at the end of the 1980s, which put it firmly among the world's three leading financial centres, along with New York and Tokyo, London has faced several serious problems in the past few years. Thanks to its strengths, the City does not seem to have been undermined by these difficulties. But various dangers, mostly linked to the role of the UK in Europe, lie ahead.

For a French financial journalist being assigned to London in 1990, there was no doubt that here was a remarkable success story: a truly international financial centre with a significant share of the market in cross-border dealings and a record number of foreign banks. London was the obvious model for continental centres such as Paris, wishing to modernise themselves. Technical difficulties, lack of professionalism or even dishonest practices were not thought to be a problem in the financial capital of Europe.

And yet, in the past four years, important City institutions have been hit hy setbacks. Lloyd's, the insurance market, has seen huge losses; the Stock Exchange's Taurus settlement project collapsed; the pound was forced out of Europe's exchange rate mechanism; the Bank of England was alow to close down BCCI. Financial scandals involving Robert Maxwell or Polly Peck tarnished some banks, auditors and regulators. In addition, the City had to contend with an IRA security problem.

After such blows, its reputation is no longer at its highest. London has shown it is as accident prone as everybody else and has suffered to some extent from its own success. Financial scandals bappen everywbere but are all the more sbocking in a market supposed to be an example for the rest of the world. At its darkest hour, in 1992, it looked as if tbe future was bleak indeed. But two years later, the role of London as a leading financial centre has not been substantially weakened.

A striking factor for the foreign observer is the way the City reacted. Lloyd's is undergoing radical reform, as in a less conspicuous manner is the Bank of England. The Maxwell scandal led to an overhaul of the pensions system and the Square Mile is now ring-fenced against terrorism. According to Robert Amzallag, managing director of Banque Nationale de Paris in London and chairman of the Foreign Bank Association in Britain, those who lead tha City "are watching very closely for any emerging prohlem. They have no long-term plan, but they react quickly when necessary".

How does the City view itself? Its assets, of course, are still here. The English language makes London the nstural home in Europe for American and Japanese institutions. "London has the labour supply, markets already established with excellent liquidity, and supporting services like law and accounting," says Professor Richard Brealey, who is

The City might still see its role endangered by a marginalisation of the UK in the EU

leading the City Research Project, a study of London as a financial centre hy the London Business School for the Corporation of London. Foreign banks share this view. According to Peter Letley, depnty chairman of HSBC Investment Banking Group which recently moved to London, "the level of expertise available bere is wider and greater than in any other European market".

At the end of the day, says Rupert Pennant-Rea, deputy-governor of tha Bank of England, it is the capacity of London to "accommodate innovation" that was and will be the main factor in its success.

While the City is convinced it has overcome the hurdles of the early 1990s, some concerns are acknowledged. "London only needs a major regulatory mistake for business to move elsewhere," warns Sir Peter Middleton, chairman of BZW, the investment banking arms of Barclays bank.

Many in the City feel that the biggest danger comes from Brussels. "Tbe drive of the European Commission to harmonise is a danger to us because our dealings are much more complex than on the continent," says Stanislas Yassukovich, chairman of the investment firm Cragnotti and Partners, who chairs the City research project.

A European problem the City does not take seriously is the threat to its eminence from Frankfurt or Paris. Michael Lawrence, chief executive of the Stock Exchange, is clear that these two markets have an important role to play at the "regional" level, but London will remain the only international centre.

With such self-confidence in the City, the foreign observer is occasionally irritated by a whiff of complacency. The Lord Mayor of London, Sir Paul Newall, recently spoke disdainfully of "the political decision to locate 300 bureaucrats and regulators" in Frankfurt, referring to the creation of the European Monetary Institute, the precursor of a European central bank. His stance sits uneasily with the efforts deployed by the corporation and the UK government to bring the EMI to London.

The main development which could jeopardise the City would be the creation of a single European currency withont tbe UK. The choice of Frankfurt for the EMI "is a threat. There are foreign banks here because we are part of Europe," says Sir Brian Pearse, former chief executive of Midland Bank. "If Britain is marginalised in Europe, things can change. The American and Japanese banks could not afford not to be in Frankfurt."

Were a single European currency to exclude the UK, there would not be an instant exodus from the City, but the main firms would have to reconsider their position.

Wbatever efforts were deployed to address the problems the City might still see its role as Europe's financial capital endangered by a marginalisation of the UK in the European Union. Sooner or later, Britain will have to decide whether it goes along with the building of an "ever closer union". Unless it can, the unique achievement of the City in becoming a truly international financial centre could still be the victim of politics.

The author, UK correspondent of the French financial newspaper Les Echos since 1990, is returning to Paris this summer

Happy hoteliers – do not disturb

Visitors to Hong Kong are filling more rooms, but can the good times last, asks Michael Skapinker

Later this year, Hong Kong's Peninsula Hotel will open its extension, a 30-floor tower with two helicopter pads for guests to make flying visits to factories in southern China.

Rooms in the Peninsula's HK$1.6bn tower will have bedside reading lamps designed by Boeing, which focus light so precisely that insomniac guests can read without disturbing their bed mates. Sanyo, the Japanese electronic company, has designed facsimile machines for the bedrooms which are completely silent. A small bedside light indicates that a fax has arrived.

Rival Hong Kong boteliers are amused by the grandiosity of some of the Peninsula's new features. Like the Peninsula, however, they believe they stand to benefit from the growtb in visitors to Hong Kong – both leisure tourists and business travellers using the territory as a base to do business in China's booming markets.

Tourism has overtaken electronics to become Hong Kong's second biggest export earner after textiles. Last year, 8.9m people visited the territory, spending HK$60m (£5bn).

Mr Stephen Wong, a spokesman for the Hong Kong Tourist Association, predicts that tourism will eventually be the territory's biggest foreign exchange earner, as textile manufacturers move their factories to China.

Some in the hotel and tourist industry admit that they do not know what will happen after 1997, when Hong Kong reverts to Chinese control. Most, however, say they are confident the territory's tourist boom will continue. The tourist association expects 15m people to visit Hong Kong annually hy the turn of the century.

While the territory has been, and will continue to be, a base for business travellers visiting China, there has also been a large increase in Chinese tourists to Hong Kong. Until 1992, the tourist association did not include Chinese visitors in its statistics; most Chinese visitors had their trips paid for by Hong Kong relatives and were not seen as contributing to the local economy.

Now, however, Chinese visitors are increasingly funding their own trips. Last year 1.7m Chinese residents visited the territory, an increase of 51 per cent on 1992. China now provides Hong Kong with more tourists than any country apart from Taiwan.

The health of the tourist industry resulted in hotel occupancy in Hong Kong last year averaging 87 per cent, compared with 74 per cent in London, the most buoyant European tourist city.

Business has not always been as easy for Hong Kong's hoteliers. In the late 1980s and early 1990s, the territory witnessed a hotel building boom. In 1988, the tourist association had 65 member hotels. By 1992, there were 86.

The building boom coincided, however, with a sharp slowdown in the growth of Hong Kong tourism. Like hotels elsewbere in the world, Hong Kong establishments were hit by the Gulf war and the onset of recession in the US and western Europe.

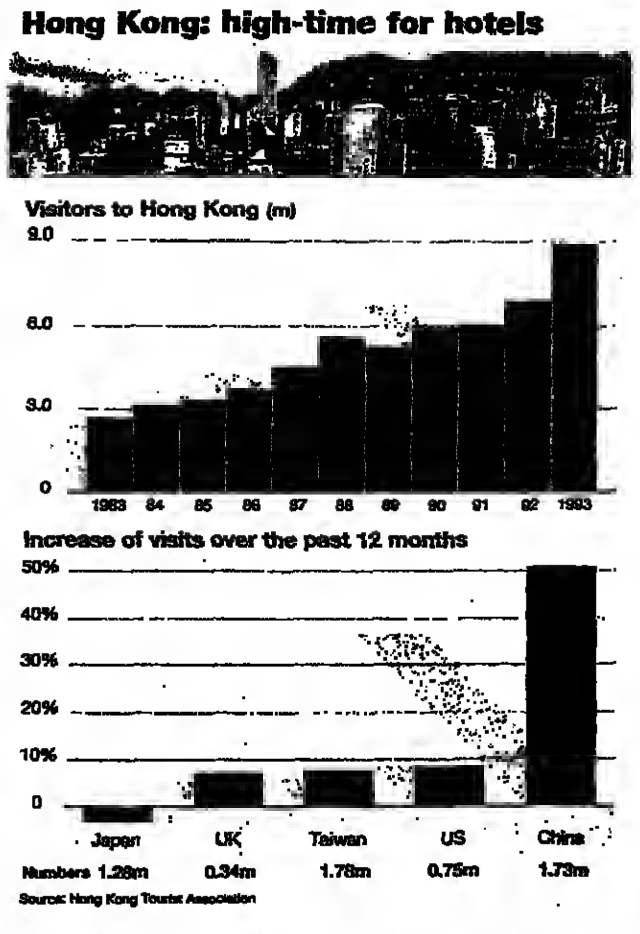
But unlike their competitors in other regions, Hong Kong's boteliers had to contend with another setback: the Tiananmen Square massacre of 1989, whicb severely shook confidence in the territory.

Since 1989, however, visitor numbers have risen by 67 per cent. Last year, tourist arrivals increased by 11.6 per cent. In the first three months of this year, they were up 8.2 per cent over the same period in 1993.

This poses a problem for the territory's tourist officials: where to accommodate them all. Mr Wong believes tourism is set to grow more quickly than the supply of hotel rooms. By 1997, the tourist association expects Hong Kong to have 35,000 hotel rooms, only 1,500 more than it has today.

While botels sucb as the Peninsula are adding new rooms, other hotels have been pulled down to make way for office blocks. In a territory wbere land is in such short supply, offices provide an even better rate of return than hotels.

In January, Ladbroke, the UK leisure group which owns tbe Hilton International chain, agreed to give up the management of its hotel in the territory in return for a payment of $125m from Hutchison Whampoa, the Hong Kong conglomerate which owns the building. Hoteliers expect the Hilton to be pulled down to make way for an office complex, although this could include a new hotel as well.



The slow growth in room numbers is good news for existing hotels, which should be able to raise rates as visitor numbers grow. It is a less welcome development for Hong Kong, whicb needs accommodation for its tourists.

The construction of a new airport, currently the subject of negotiations between the UK and China, could provide a solution. Tourist officials see the airport as the centre of new hotel developments, similar to those that surround London's Heathrow and Gatwick airports.

Despite their high occupancy levels, hotels in central Hong Kong do have problems, particularly with staffing. The difficulty is not the quality of staff: hoteliers with experience around the world say Hong Kong staff are more committed and harder-working tban employees they have managed anywhere else.

The difficulty is recruiting them and persuading them to stay. Until a decade ago, Hong Kong employees stayed with the same hotel for years. Mr Michael Hoffmann, the Peninsula's manager, says tbe hotel's oldest employee started at the hotel as a 12-year-old page boy when it opened in 1928. He now works in the banqueting department.

Today, however, young people in Hong Kong are increasingly mobile. Hong Kong hotels report annual staff turnover of 30 or 40 per cent. Mr Seamus McManus, general manager of the Mandarin Oriental, says there is stiff competition for staff from other service industries, such as retailing and banking. Hotel employees frequently leave to set up their own service businesses – driving taxis or cleaning carpets.

Mr Jürgen Wolter, manager of the Hyatt Regency, who has worked in Hong Kong for 25 years, says: "In 1969, if a position as a waiter or a cook became vacant, you would have 20 people waiting outside. Today, if you have 20 positions vacant, you would be lucky to have one person applying."

One answer would be to employ staff from elsewhere, but restrictions on immigrants from China and elsewhere in Asia are tight and are expected to remain so after 1997.

High staff turnover means hotels hava to spend more time training new employees than they do in other countries. Mr McManus saya tba Mandarin Oriental employs seven full-time trainers. In other parts of the world, he says, hotels might employ one or two, or pay an outside company to train staff.

Another problem confronting hoteliers is what they see as the declining standard of English in the territory. As 1997 approaches, Hong Kong school pupils are spending more time on Mandarin and less on English. While this might be understandable from a political point of view, Hong Kong's hoteliers say it makes it much more difficult for them to serve their guests. Even after Hong Kong reverts to Chinese control, they say, the language of international business will continne to be English.

Mr Wong, wbose wife teacbes English at a Hong Kong secondary school, says that, while he agrees there has been a decline in standards of English, the deterioration is small.

Mr McManus says, however, that the situation is so serious that hotels might have to think about installing staff language laboratories to improve employees' English.

Deteriorating language skills, however, are unlikely to deter visitors, particularly when general service standards are so high. Continued political stability in the territory will be of far greater importance to the continued growth of Hong Kong's tourist industry. Local hoteliers are praying it will continue.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted sbould be clearly typed and not hand written. Please set fax for finest resolution

Foreign investment in UK not all positive

From Dr Jim Hamill.

Sir, Andrew Baxter presents an accurate account of the recent annual report of the Invest in Britain Bureau ("Foreign groups create record total of jobs", July 22). Unfortunately, the IBB report itself presents a totally misleading picture of tbe employment effects of inward direct investment in the UK. The employment data quoted in the report cover jobs promised by inward investors rather than jobs actually created and take no account of the jobs lost as a consequence of foreign investments from the UK.

Furthermore, to argue that 30,000 jobs were saved as a consequence of BMW's acquisition of Rover is surely difficult to substantiate as it assumes that all of these jobs would have been lost if the acquisition had not taken place and that there will be no job losses post-acquisition.

I would agree with industry secretary, Micbael Heseltine, that "thousands of people are at work today because of our success at attracting inward investment". However, I would also point out that thousands of people are out of work today because of foreign divestments from tha UK, and numerous examples could be quoted. I would also point out that the job security of thousands of people is being threatened as a conaequence of the recent wave of foreign acquisitions in the UK.

Since 1985, there has been a total of 1,278 foreign acquisitions in the UK, valued at £31bn. Many of the UK's largest industrial and commercial enterprises have passed into foreign ownership as a consequence of being externally acquired – Rover, Midland Bank, Beecham, Rowntree, Jaguar, Pearl Group, Yorkshire Bank etc. Preliminary results of research being conducted by SIBU suggest that the employment effects of inward investment in the form of acquisitions may be negative.

The British government is unique in viewing such foreign takeovers as a sign of confidence in British competitiveness and, given the scale of acquisition activity, there is an urgent need for detailed study of the long-term effects on the British economy of external takeovers.

Jim Hamill,
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Strathclyde International Business Unit,
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Potential of hydro-power

From Dr T L Shaw.

Sir, Roland Adburgbam's review ("MPa back wind farms for Wales", July 21) of the Welsh affairs committee's report on wind farms in Wales picks up issues which prompt me to point out that local interest in hydro-power schemes differs sharply from that in wind. For example, modern hydro schemes are essentially below ground and so do not visually intrude on the landscape; their economics are improving to the point where state subsidies are not needed; and investment is becoming increasingly indigenous.

Furthermore, there is potential for many schemes of a size sufficient to meet nearhy demands. Renewable energy sources are as variable in their implications as those regarded as conventional.

T L Shaw,
Shawater,
The Old Vicarage,
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Voting against the means, not the end

From Tom Spencer MEP.

Sir, The European Parliament's rejection of the draft legislation to liberalise voice telephony was no "Euro folly" (Editorial, July 21) at all. My colleagues and I were not voting against the opening up of this market, but against the way the Council had sent us a text which left subsequent amending legislation in the hands of technical committees meeting in secret. The Commission can now bring forward a virtually identical proposal which will meet this point of principle, and can be dealt with at speed without compromising the liberalisation timetable. Governments cannot run away from tbe logic of the Maastricht treaty. This, as the FT has explained on a number of occasions, changed the balance of power between tbe Council and parliament.

Tom Spencer,
chairman, Conservatives in the European parliament,
Strasbourg

From Mr Mel Read MEP.

Sir, Your leader "Euro Follies" gives a less than adequate analysis of the complex issues surrounding the European parliament's rejection of the Council's position on voice telephony liberalisation.

The Parliament has made it absolutely clear that on the substance of voice telephony liberalisation there is broad agreement between Council, Commission and Parliament. On points of disagreement, considerable progress was made towards acceptable compromises during the conciliation procedure.

On the dreaded question of comitology (the process hy which European legislation is implemented and reviewed – the rough equivalent of statutory instruments in the UK), there was no compromise. Parliament is demanding equivalence of treatment: where Council has a second bite at legislation, so should the European Parliament. What the Council wants is exclusive control over implementing measures stemming from the directive. This principle is relevant to dozens of legislative proposals, and an urgent intra-institutional agreement is needed to settle the matter.

As the rapporteur on voice telephony, I proposed an ad hoc solution on comitology and voice telephony, but Council would not budge.

Your leader says: "With luck, the telecommunications package can be reassembled soon". I made it clear in the European Parliament that we will do all in our power to facilitate this. It is not the European Parliament setting its face against economic progress, as yon allege, but the Council of Ministers' refusal to accept the democratic principles of the Maastricht treaty signed by the same Council.

Mel Read *(Labour, Nottingham & Leics NW),*
81 Great Central St.,
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Happy contrast – but objective?

From Mr Rodney Leach.

Sir, According to Ian Davidson ("Too late to kiss it better", July 30), the government is in "craven submission" to the Eurosceptics, whose attitude is of "ill-tempered obstructionism" reliant on the "atavistic rhetoric" of "xenopbobic nationalism". This has led to the "incomprehensible" squandering of our credit by "single-handedly precipitating a gratuitous and futile crisis" over the presidency of the Commission.

By happy contrast, there is the "gathering momentum" of the "logic" of a "new phase" of building Europe, "irresistibly led" by Germany and embraced by Mr Tony Blair witb "rational serenity".

Could it be possible that Mr Davidson has mislaid his objectivity somewhere?

Rodney Leacb,
15 Clarendon Road,
London W11 4JB

Comments rather disturbing

From Ms Judith Benson.

Sir, I was rather disturbed to read in tbe People column (July 21) the comments on Isbbel Macpherson's appointment at Hoare Govett to shake up its smaller company corporate finance activities.

Your writer seemed to feel that women make a habit of "swanning off on maternity leave at the drop of a hat", and that views on cbildren expressed four years ago were worthy of comment, given her new role.

I found these comments, bowever humorously meant, very offensive, particularly in a newspaper such as the Financial Times. They encapsulate an attitude which women encounter all too frequently in their working lives.

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FINANCIAL TIMES
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Mandate to change

Many have tried, few have come closer. Unlike his predecessors, President Bill Clinton still has a chance of reforming America's health system. Congress might, just might, send him an American Health Security Act by the end of the year. During tha next few weeks, Mr Clinton must fight to keep it worthy of the name.

Unveiling his health reform package in February, Mr Clinton vowed to veto any bill which did not secure health coverage for the 16 per cent of Americans currently uninsured. Six months of Congressional bargaining later, the detail of the plan is dead. But various incarnations have survived, clearing the way for votes in both Houses by the middle of August. The administration has a few weeks to reconcile them, not merely with one another, but with the president's earlier promise.

The reasons to reform the US health system are as compelling now as they were when Mr Clinton was elected. Though 37m people – one-third of them children – are uninsured, healthcare consumes a fast-growing 14.4 per cent of the country's GDP, far more than in other rich nations. Thanks to an inequitable mix of government benefit programmes and tax exemptions, the federal budget deficit takes much of the strain.

Untangling this mess means finding a way to contain costs, extend coverage, and reverse the effect on the deficit. At bottom, that means greater government oversight, less opulent health insurance packages, and higher taxes. All of these measures would be unpopular. Were Mr Clinton starting afresh, for example, a system of government-purchased universal health insurance, funded by a new value-added-tax, would be the best choice. But he is not.

Fewer savings

Instead, Mr Clinton backed a form of market-friendly regulation to slow down costs. Though his own version has been much diluted, "managed competition" of some form may survive, though it will deliver fewer cost savings than initially hoped. By itself, it will also deliver less in the way of wider insurance coverage.

"Universal", or close to universal, coverage will not be achieved without, first, requiring the purchase of insurance and, second, providing subsidies to those who cannot currently afford it on their own. Mr Clinton's way of approaching this was a mandate forcing companies to insure all of their amployees, witb the employer meeting the bulk of the Anotbar, more promising, approach was to place tha mandate on individuals.

Mid-term election

Both proposals are all but dead in Congressional terms, at least as far as the first wave of reform is concerned. With a difficult mid-term election in prospect, Congress looks set to defer the tricky revenue-raising which either proposal implies until the turn of the century. If a milder batch of reforms and subsidies has not brought "universal" coverage by then, Congress may or may not be forced to take more radical steps.

Much breath has been wasted on what "universal" should mean. Outside a British or Canadian-style system, coverage will never be absolute. Mr Clinton indicated last week that 95 per cent of the population might be considered adequate, but then seemed to backtrack. Clearly, a compromise is in order. But the administration will lessen its chances of success if it continues to look so confused.

None of America's most lasting social reforms has been passed by a narrow, scrambled vote in Congress. The president rightly fears that his bid for posterity will be shaky if he does not win a safe margin of support for the final bill. Nevertheless, there are two reasons why he should hold out for a bill with a firm timetable for achieving close to universal coverage, even if the timetable ends up longer than planned.

One is political: a messy fudge of his earlier promise would only add to the view that he lacks determination in the face of opposition. The second is more substantial. Not all Americans may be convinced that the crisis is as deep as he thinks. But most accept the need for change. If the concerns of the uninsured are not allied with this broader momentum, history suggests that their situation will receive even less generous attention in years to come.

Next steps in Ulster

The news from Sinn Féin is, as ever, dire. Tha political wing of the Irish Republican Army announced, after lengthy deliberations on Sunday, that sections of the joint Irish-British peace declaration of December 1993 were "negative and contradictory". It could not, it said, accept what it called the "Unionist veto" on a united Ireland. It declined to promise that IRA terrorism would cease, so that points of difference could be debated at the conference table. Clearly the IRA/Sinn Féin is fixated on the idea that, since it cannot persuade a majority of the peopla of Ulster to accept the governance of the Republic of Ireland, it must persist in its attempts to bomb them into submission. This strategy of the "armed struggle" has failed for 25 years. It will fail even if it continues for another quarter of a century.

There will not be peace until the IRA understands this. Sinn Féin leaders are adept propagandists. They talk misleadingly of a "new phase in the peace process" while they simultaneously decline to call an end to violence. They are not, however, shrewd judges of the British character. The public is horrified at the long run of atrocities perpetrated by the IRA and, in recent years, the "loyalist" paramilitaries". This does not mean that a policy of cut and run would be tolerated. The contrary is true. Any British government, of whatever colour, that left the people of Ulster in a state of chaos and civil war would be held in deep contempt. Its survival in office would be in doubt.

Democratic basis

The search for a political solution must therefore continue. The joint declaration provides a democratic basis for such a solution. Its cardinal principle is self-determination. Any party that wants a united Ireland must persuade a majority of the people of Ulster, as of the republic, to accept it. It is this principle that sticks in Sinn Féin's throat. So be it. The British and Irish governments should move quickly towards a new constitutional settlement.

The other participants in this process are Northern Ireland parties that have renounced violence and are willing to attend talks. In essence this excludes the Unionist party led by the Reverend Ian Paisley as well as Sinn Féin. Progress towards a "framework agreement" has been delayed for too long while waiting for tha IRA to renounce violence and the Paisleyites to join the negotiations. Mr John Major could make this clear to Mr Paisley today.

What is required now is a willingness on the part of all those who are in the talks to take risks. Each party to the process knows the leap of faith that is required; none has yet demonstrated a willingness to make the jump. The Ulster Unionists led by Mr James Molyneaux would assist if they entertained proposals for cross-border co-operation. Mr John Hume's mainly Catholic Social Democratic and Labour party should abandon the illusion that it can influence Sinn Féin. The details of Mr Hume's agreement with Mr Gerry Adams, president of Sinn Féin, should be published. It might expose the emptiness of the latter's protestations.

Clear statement

The British government could assist by presenting a draft amendment of the Government of Ireland Act. That would have to include a clear statement of intent to transfer sovereignty over Ulster should its people wish it. Such a statement would constitute a guarantee that Britain means what it says about self-determination. In return, the Irish government would be asked to bring forward counterpart amendments to articles 2 and 3 of tha republic's constitution, so that the aspiration for a united Ireland contained in them would be tempered by phraseology to the effect that Ulster is recognised to be part of the United Kingdom unless its people decide otherwise.

This last leap forward may be the most difficult for any of the parties concerned. All Irish political parties save Sinn Féin accept the Irish-British joint declaration. So does an overwhelming majority of the Irish people. Singling out the proposition that Ulster can decide on its own is, however, risky. Putting it to a referendum might backfire. People in the republic are uneasy when accused of leaving their northern cousins in the lurch. Yet if the peace process is to be accelerated, someone has to make the first move. If not the taoiseach, who?

"The separate economic blocs and all the friction and loss of friendship they must bring with them are expedients to which one may be driven in a hostile world, where trade has ceased over wide areas to be co-operative and peaceful and where are forgotten the healthy rules of mutual advantage and equal treatment. But it is surely crazy to prefer that."

Martin Wolf offers the Group of Seven leaders a recipe for reforming the world's economic institutions

If you go down to the woods today

BRETTON WOODS
YEARS

With these words, uttered shortly before his death, Lord Keynes commended the Bretton Woods agreement to the House of Lords. It was a nobla legacy of the Anglo-American co-operation during tha second world war.

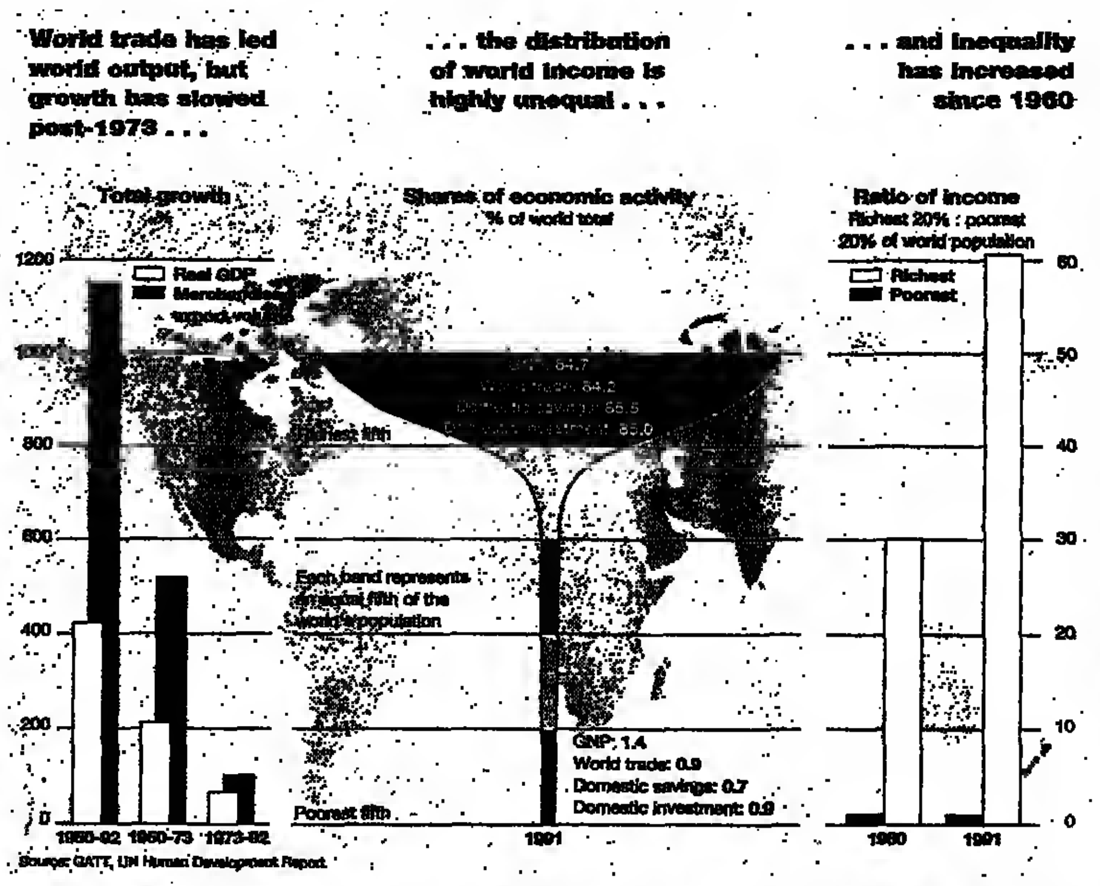
A month after the landings in Normandy, a new world economic regime had been designed at the celebrated conference in Bretton Woods, New Hampshire. That the victory was not wasted was largely due to the rebirth, at least in the industrial countries, of the ideas Keynes extolled. It has not been the details of the Bretton Woods agreement that matter. Many have had to be abandoned. What has mattered most is the commitment to a co-operatively managed and increasingly liberal global economy. That is the legacy to cherish.

Anniversaries are valuable if used for taking stock of what is left from the past and for devoting thought to the needs of tomorrow. Largely by chance, now is an appropriate time in which to ask what the needs of tomorrow might be.

The collapse of the only serious rival to the liberal model is five years old, long enough not only to become used to that event, but to appreciate the scale of the debris communism leaves behind. Yet the greatest economic challenge for the western world is the need to adjust to the rise of east Asia. A world economy in which only about a sixth of the population enjoyed prosperity will be transformed by the arrival of perhaps another 3bn. Nor will the challenge be merely economic. This will be more than a mere shift in power among similar countries: fiva centuries of dominance by Europe and its American progeny are coming to an end.

Fortunately, at President Clinton's prompting, western leaders have shown a belated awareness of the issue in calling, at the recent summit of the Group of Seven industrial countries in Naples, for a review of institutional requirements in the global economy. So what might a comprehensive report to the G7 leaders cover?

The starting point is the success of the postwar economic system, a success measured by almost five decades of trade-led growth (see chart). Even though increased real incomes have been enjoyed in most parts of the world, they have not been enjoyed everywhere. One fifth of the world population produces – and enjoys – 85 per cent of the world's income. The degree of global inequality has also been increasing. Worst of all, even though most indicators – such as infant mortality, lifa expectancy and school aurolment – show improvements since tha 1950s almost everywhere, more than a billion people, mostly in Sub-Saharan Africa and South Asia, subsist on less than a dollar a day.



Economies have done well and thair residents prospered to the extent that they have been able, or willing, to exploit tha opportunities offered by an increasingly global market economy. North America, Europe and Japan have been able to do this. So too have many developing countries. The paper, *Learning from the Past, Embracing the Future*, released by the World Bank last week, shows that income per head in east Asia had risen by some 350 per cent since 1960, while that of Latin America is significantly lower than it was in 1975. Worst of all, Sub-Saharan Africa's income per head is back where it was in 1960.

Such failures are, above all, those of nation states. One part of the problem has been the determination of many developing countrias to turn away from the global market; by seeking the bankrupt path of "self-reliance". This mistake can be rectified. But the difficulty is deeper than that. Many states are unable or unwilling to provide such basic economic services as reasonably impartial property rights enforcement, efficient or honest administration, basic education and health, or minimal infrastructure. Not infrequently, governments have been murderous and exploitative. Worst of all, states have occasionally dissolved altogether.

This is an extreme illustration of a fundamental issue: the relation between tha markat, which is increasingly global, and states, which are local, often blinkered and sometimes demonic. Four points need to be remembered throughout any G7 discussions.

First, the most important purpose of international economic regimes is to render national policies globally compatible. Sometimes this is done through day-to-day co-operation. It is done more effectively, however, by embodying international agreements within domestic laws and policies. That is what the General Agreement on Tariffs and Trade has achieved, if partially.

Second, at least half of the spending of modern states is concerned with income redistribution, with internal income transfers as much as 50 times larger than international ones. In consequence, citizens of states that are both impoverished and incompetent (or worse) are excluded from the benefits and opportunities afforded by the global economy, except through migration.

Third, because the politics of wealthy countries focus on internal income distribution, developments that undermine customary patterns are immediately subject to attack by protectionist antibodies. One of the great challenges for the industrial countries in future will be to sustain economic openness under such pressures.

Finally, the customary complaint that the internationalisation of the world economy jeopardises sovereignty is correct, but only in the sense that it curbs redistributive politics by limiting a government's ability to tax mobile factors of production. It is wrong in the mistaken proposition that countries cannot affect their economic fates. Whether or not a government encourages its people to exploit global opportunities has, in fact, proved decisive. Compare east with west Germany; south with north Korea; Chile with Peru; or Taiwan with mainland China. Policy matters. That is why governments matter too.

The principal purpose of international economic institutions is to reconcile the politics of nation states with their international interests and obligations. With this in mind, the international economic regime of the future should ideally cover five areas:

The first purpose of international economic regimes is to render national policies globally compatible

- monetary and financial stability;
- economic development;
- trade and investment;
- the environment; and
- migration.

In each case, the aim should be to try to minimise government and maximise the play of the market. This is not just a question of ideology. It is a practical matter. The capacity to co-operate is limited. It should be hoarded, just like any other globally scarce resource.

Monetary and financial stability. The Bretton Woods monetary regima was a brilliant failure: brilliant, becausa of the exceptional economic progress that occurred during its beyday, and failure, because it collapsed in the early 1970s. The lesson, underlined by the breakdown of the hard ERM during the summer of 1993, is thet adjustable-peg exchange rate regimes are inherently unstable without extensive exchange controls.

Yet floating exchange rates have been far from an unalloyed success. Real exchange rate variability has been far greatar than many had hoped. For this reason, the attractions of fixed exchange rates and target-zone regimes are substantial. But this is a point at which the objectives of states clash with international economic aspirations. Maybe a decade or two of sustained low inflation and fiscal discipline in important economies (neither of which is to be taken for granted) will allow formation of a common monetary policy in the leading economies. At present, this is a fantasy. So too is the hope for an agreement on equilibrium real exchange rates and a willingness to back them up with policy changes.

Floating exchange rates may not be ideal, but they have proved workable. They will also remain in operation for the foreseeable future. If correct, this leaves the IMF with no more than a marginal role in international monetary affairs.

As financial markets become more global, domestic supervision becomes increasingly difficult. A global supervisor is one possibility. A more plausible alternative, however, is greater supervision by the market. The right policy would be a determined assault on the sources of moral hazard, such as deposit insurance, combined with provision of both more and more timely information to tha marketplace.

Economic development. There is no great mystery about what makes for successful economic development. The recipe consist of well-motivated people, operating within the global market, under the aegis of a supportive and fiscally self-disciplined government. Unfortunately, such states are rare. In their presence, international assistance is helpful, but marginal. Developing countries that meet such criteria now have little difficulty obtaining resources from the private markets. In their absence, assistance is almost doomed to failure.

It is this grim reality that critics of the World Bank and IMF fail to confront. The legitimate criticism of those institutions is not that they have been too tough, but that they bave far too weak in supporting member governments that have neither the capacity nor the intention to do as they have promised. States become bankrupt financially because they are already bankrupt ideologically and politically. One of the greatest challenges facing the world community consists in dealing with such situations.

Professor Jeffrey Sachs of Harvard University has argued persuasively for an international bankruptcy procedure. On the economic side, that could be placed under the management of a reformed IMF. But there will often need to be a security arrangement as well. One possibility would be to reinstate the idea of a UN protectorate.

Meanwhile, an uncomfortable overlap between the functions of the World Bank and the IMF remains, with both increasingly concentrated upon a number of relatively unsuccessful states. They must at the least be forced to co-operate still more closely.

International Trade and Investment. The World Trade Organisation, whose power rests upon agreements ambodied in the domestic law of its members, should take pride of place in trade. It would also make sense to nest international agreements on investment within the WTO. Otherwise, the agenda is clear enough: to liberalise further on the course already set, which may wall require another trade round later this decade.

Environment. A case can be made for an international environmental regime, housed within a global environmental organisation. One aim would be to bring together all the existing environmental treaties. Another would be to protect world trade from the intrusion of environmental considerations. The most important aim, however, would be to ensure that international environmental overspills are handled by a consistent set of global rules that carry over into domestic policy.

The starting point should be the "polluter pay" principle. Its main value would be to reveal that industrial countries are the main polluters. The US, for example, generates a quarter of global output of carbon dioxide from fossil fuels and cement manufacture. Correspondingly, industrial counties must pay most for their disproportionate exploitation of the global commons.

Migration. At present, there is no policy on the treatment of international flows of people, though there is such a policy for flows of both goods and services. This is an obvious anomaly. A host of questions – such as taxation of the brain drain or treatment of guest workers – should be covered.

This then is the agenda for the G7. But it cannot exclude the G7 itself. Is there to be any overarching body charged with global economic co-ordination and co-operation and, if so, should it be the informal G7 or something broader or more formal?

There is, in fact, a strong case for keeping the G7, while using any relavant international organisation to support it. One consequence of a world of unequal sovereign states is that it is also an undemocratic one. What is needed is responsible leadership. Leadership can only be provided by those with the resources and the influence to exercise it. At present, that is principally the G7, though in time its membership will have to change, as the world economy does. The challenge, however, is also to act responsibly. It was difficult enough in the past. Now that the cold war is over and huge upheavals be ahead, it may prove still more difficult in future. G7 leaders, be warned.

Previous articles in the series appeared on June 21 and 28 and July 8, 15 and 20

OBSERVER

Santer's old boys

■ Securing the presidency of the European Commission was the least of Jacques Santer's problems. Far from being able to craft a fresh team, he looks set to inherit a lot of familiar faces – quite apart from the ticklish matter of adjudicating between member states with some firm ideas regarding the remaining slots to be filled.

As many as eight Commissioners could be staying on, some pressing for bigger and better jobs. These would include Manuel Marin, the Spaniard in charge of development policy, and Henning Christophersen, who handles economic and monetary policy. Having been *in situ* since 1985 and 1986 respectively, they seem to be becoming more-or-less permanent fixtures, alongside German industry commissioner Martin Bangemann.

Others likely to remain in town for the new five-year term include Karel Van Miert, in charge of competition policy, Joao Deus de Pinheiro, the laid-back Portuguese commissioner in charge of audiovisual and information policy and Marcelino Oreja, the Spaniard who has just arrived to take over energy and transport.

Then of course there is the plum job of chief EU trade negotiator, currently inhabited by Sir Leon Brittan. He must fight the French, who want him out. But, if he hangs on successfully, France would demand the competition or industry portfolios as recompense.

EU enlargement complicates the new man's job still further. If all goes to plan, the Santer Commission would increase from 17 to 21 members, but Norway and Sweden only hold their referendums in November, while Santer is supposed to present his team to parliament for vetting in October. If he misses this date, he will hand the newly-emboldened MEPs just the opportunity they need to wade in with their own opinions.

Code breaker

■ Phantom withdrawals are one thing, but automated teller machines can spread alarm in other ways too.

One Friday recently, the customer of a Lisbon bank was attempting to extract cash from her local hole-in-the-wall. She reckoned her account was a few thousand escudos in the black, and was consequently a trifle taken aback when the machine lighted up the happy news that she was overdrawn – to the tune of Es88m (£352,000).

Had her handbag not been stolen some days before, she might have seen the amusing side.

As it was, the fact that she had cancelled her stolen cheques and bank cards was scant comfort as she waited to quiz a real live teller the following Monday. "An eighty-eight million overdraft?" he enquired nonchantly. "Oh, that's just our code to indicate your cheques have been cancelled."

'I'm sorry, sir, your train season ticket does not entitle you to drive in the bus lane'

Portillo's petard

■ Does Observer detect a more than usual degree of smugness at the Treasury? Before he left for pastures new, Michael Portillo drew up a detailed assessment of the scope for cost savings around Whitehall. Wasteful and inefficient use of resources at the Department of Employment was one of the former chief secretary's gripes, and he highlighted the ministry's £3.5bn annual budget as a prime candidate for the scythe during the autumn spending round. Now that the ultra-dry Portillo is getting a squint at that supposed profligacy from the boss's seat, his first decision will be to drop his predecessor's demand for extra funding and instead to oblige with substantial cuts. Or, if not, his erstwhile colleagues will want to know why.

Pen pal

■ Yukio Sato, president of Yamaichi Bank in Switzerland, is laudably unsentimental about the panoply of Japanese vases and lacquerware lining his shelves.

In fact, he would like to call a halt to the collection now, and with it the age-old bond market ritual whereby investment bank and borrower exchange lavish gifts at the signing ceremony after the completion of an issue.

Last month, he secured the co-operation of Pigeon Corp, a Japanese baby-care products group, to waive the gifts and to join Yamachi in a donation to the Swiss Red Cross instead. Last week, Goldwin, a Japanese sportswear maker, followed suit.

Sato says he can still see a purpose in bestowing prezzies on a first-time client, but from now on will try to push repeat issuers down the charitable route. Only snag is, with beart-warming ideas like these, has Yamaichi kissed good-bye to the notion of winning a mandate from Vendôme, makers of those posh Mont Blanc pens?

Victimless

■ The casualty list after last week's musical chairs in John Major's government may be a bit shorter than first appeared. Far from being a victim, Tim Sainsbury tells Observer be asked to go.

Ha is now 62 and has spent 11 unbroken years in government, so Sainsbury decided that four years at the department of trade and industry was enough.

Intriguingly, he says he also yearned for some freedom to speak out against Sunday trading laws – which might make for some interesting chats with the rest of the Sainsbury family.

Blindman's buff

■ To the back of the class. The government, struggling to secure a chief executive for the new Teacher Training Agency, has had to readvertise the job, increasing the pay by a third on the way.

So if you are an excellent communicator, have experience of start-ups, and fancy managing a £180m budget, you can now reap £80,000 a year for running a quango.

And ignorance of the subject is really no handicap. Knowledge of the English education system is merely "desirable", the ad suggests.

FINANCIAL TIMES
Tuesday July 26 1994

Attempt to escape disease and starvation

Refugees struggle back to Rwandan capital

By Leslie Crawford in Gisenyi, Rwanda

Tens of thousands of Hutu refugees, in a thin ribbon stretching along the 160km from Gisenyi, in Rwanda, to Kigali, the capital, have returned home to throw themselves on the mercy of the country's new Tutsi-led government.

The refugees, who fled Rwanda in panic, are returning rather than face death from cholera and starvation in Zaire's overcrowded refugee camps.

The exodus began after Zairean troops reopened the border crossing between Goma, in Zaire, and Gisenyi on Sunday.

The returnees are barefoot, carrying their meagre belongings on their heads. After surviving the horror of Goma, many are too weak to make the return journey and several have died only a few kilometres outside Gisenyi.

There are no relief agencies to help them along the way and little food. The Hutu exodus swept the mountainous north-west of Rwanda like a plague of locusts. Banana groves have been stripped of fruit. The bean harvest has rotted. Hills have been denuded as swathes of trees were chopped down for firewood.

US military officials have arrived in Kigali in recent days to begin the planning of their humanitarian relief operation.

Ms Alison Campbell, a spokeswoman for the relief agency Care, said: "If the refugees understand they are receiving aid from Kigali, and news spreads that the Rwandan Patriotic Front is co-operating with the international relief effort, this could have an important psychological impact in helping build trust between the refugees and the new government."

Relief workers in Goma, however, said the return of refugees had not begun to dent the magnitude of the humanitarian catastrophe in Zaire. Cholera is killing refugees in their thousands. The 28 trucks assigned to collecting the dead have been overwhelmed by the number of corpses.

Mr Peter Hansen, a special envoy of the UN secretary-general, Mr Boutros Boutros Ghali, yesterday told reporters that the UN's emergency funds were exhausted and that it had no money to continue the relief operation. He said the UN would launch a new appeal for $440m (£284m) to deal with the crisis, but he was not optimistic about receiving the funds swiftly.

"The situation is out of control," he said. But relief agencies are not yet advising refugees to return to Rwanda. A formal repatriation programme would require the agreement of the governments of Rwanda and Zaire and the UN High Commissioner for Refugees.

"It is not the role of non-government organisations to begin the repatriation programme," Ms Campbell said. "We are more concerned that people are fit enough to return home. We need to feed, shelter and rehydrate them here in Goma."

Yesterday, Mr Pasteur Bizimungu, Rwanda's new president, flew to Mauritius for a meeting with President Mobutu Sese Seko of Zaire. His main concern is to obtain the voluntary return of Rwanda's population in exile.

Mr Bizimungu said he would also ask President Mobutu to disarm the soldiers and militia of the defeated Hutu army who are currently swarming around Goma.

He also said he would also request the Zairean authorities to arrest all those suspected of having taken part of the genocide of the Tutsi population and the massacre of the Hutu opponents of Rwanda's former regime.

UK meat traders warn over EU rules on beef

By Alison Maitland in London

The bulk of Britain's beef exports to the European Union will dry up this week when new restrictions to stop the spread of "mad cow disease" come into force, meat traders said yesterday.

"We've been sold down the river by the government," said one beef exporter, who did not want to be named. "They've agreed to a system which means we'll virtually stop exporting British beef to the EU."

The new rules agreed by EU agriculture ministers last week were hailed as a victory by Mrs Gillian Shephard, then UK agriculture minister, because they led Germany to drop its threat of a unilateral import ban on British beef.

The rules say Britain may not export beef carcases containing bone unless the animal is certified as coming from a herd that has been free of the disease, bovine spongiform encephalopathy, for six years, instead of two years as at present.

Agriculture ministry officials are advising meat exporters to develop a market for deboned beef instead.

According to figures from the Meat and Livestock Commission, an estimated 107,000 tonnes of "bone-in", or carcase, beef were exported to the EU last year, some 84 per cent of total UK beef exports to the EU.

The purpose of deboning is to remove nervous and lymphatic tissues which might carry the disease. The new rules are designed to prevent diseased tissue finding its way into animal feed in continental markets.

A large beef exporter, who also did not want to be identified, said be would be forced to lay off about 150 people. He feared a knock-on effect on the British beef market.

He believed BSE was so widespread that no more than 18 per cent of animals could be certified safe for export, assuming their health history could be traced. The Ministry of Agriculture says there have been 131,757 cases of BSE and more than half the country's dairy herds have had at least one case.

The bulk of carcase beef exports are dairy cows that have passed their useful productive life and have been slaughtered, mainly for processing into meat pies and sausages.

Tracking the health history of these older animals, which may have lived on four or five different farms, will be extremely difficult, say traders and farmers' leaders. "Three, four or five years ago that animal may have come from another farm and the seller won't know if there was BSE there or if that farm had BSE subsequently," said Mr Ian Gardiner, policy director of the National Farmers' Union.

THE LEX COLUMN

Life gets tougher

The summer season of new business figures has shown just why the life insurance sector has underperformed the stock market by 20 per cent in the last year. The 30 per cent fall in sales of life and pensions policies reported yesterday by Refuge – which prompted a 5 per cent fall in the shares – was especially poor. In addition to public distrust of the industry as a whole, the company had to retrain its sales force to keep the regulator happy. But bending over backwards to please the regulator is becoming a way of life. With full disclosure of sales commissions around the corner, pleasing customers is not going to get easier.

Increased sales of unit trusts are scant consolation. Margins earned by companies on this type of investment business are unlikely to match with-profits or pensions policies. The flow of unit trust business could also dry up, or even reverse, if the stock market enters a bear phase. In the long run, life companies could become more geared to the investment cycle and less solidly defensive than hitherto.

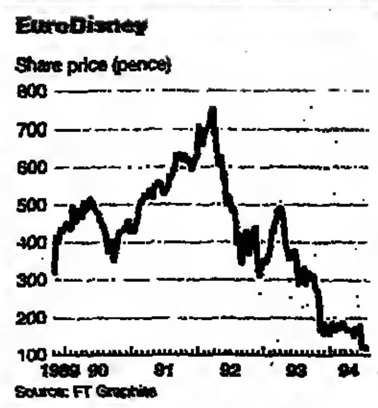
Changes in business mix and lower overall sales will take time to filter to the bottom line. Profits and dividend growth will be supported for some time by maturing life policies sold in the 1980s or before. On a yield premium of 30 per cent to the stock market average, and with dividend growth effectively underwritten, the sector will find support. But it cannot live off its fat forever. A sustained rally in the shares looks unlikely indeed until the new business prospects are clear.

Norsk Hydro

Norsk Hydro's collection of commodity-based businesses was always likely to enjoy the first half of the year. With interests ranging from aluminium to ammonia to PVC and crude oil, the group looks tailor-made to benefit from the early stages of a turn in the commodities cycle. Having asked shareholders for Nkr4.7bn equity earlier in the summer, management may also have felt obliged to squeeze every last krona out of the business.

Even so, yesterday's second-quarter figures exceeded even the stock market's high expectations. While commodity price rises are public knowledge, the extent of operational gearing came as something of a surprise. This was especially true in fertilisers, the subject of a massive restructuring charge two years ago.

FT-SE Index: 3106.1 (-8.6)



Source: FT Graphite

Firmer fertiliser prices, decent demand outside Europe and lower exports from eastern Europe all helped improve the position over last year. But cost-cutting was the foundation of the five-fold rise in divisional operating profits in the second quarter.

European companies with less well-appointed spreads of business – or which have been less vigorous in pursuit of efficiency – can not be expected to deliver such a spectacular rebound. Neither can Norsk Hydro count on further sharp rises in all its main commodities at once. But companies which have been shaving costs through recession and are now achieving modest price increases may also surprise with the speed of recovery.

Radio

Investors in the UK television sector know how incoherent regulatory regimes can produce stock market mayhem. The radio sector may be about to experience a similar speculative frenzy. A judicial review of the Radio Authority's approval of EMAP's bid for Trans World Communications starts tomorrow. If the authority's decision is upheld, it could lead to a further rash of corporate activity. If not, it calls into question whether radio's regulator is deemed capable of minding its own back yard.

The review concerns EMAP's attempt to skirt ownership rules by proposing to sell two licences to a separate venture jointly owned with its merchant bank. This arrangement makes a mockery of the spirit, if not the letter, of the Broadcasting Act, although the Radio Authority seems powerless to object. Other companies have devised similarly ingenious means of splitting ownership and control. Daily Mail and General Trust has increased its stake in Chiltern Radio above the permitted 20 per cent by buying more shares through a joint venture company.

Radio is already one of the hottest stock market sectors because of its high operational gearing and potential to grab a bigger slice of the advertising cake. For example, Capital Radio now trades on 36 times historic earnings. But with big media groups, such as Reuters, keen to muscle in on radio, the excitement may rise further. That makes it all tha more imperative for the government to speed up its review of media ownership rules and finally introduce a coherent set of industry-wide regulations.

Euro Disney

There are two possible explanations for the 4 per cent fall in Euro Disney's shares in heavy volume yesterday. One is renewed short selling at the start of the new account on the Paris bourse. The other is thet small investors took advantage of the first day's trading in the newly issued shares to sell them down to the rights issue price. What seems unlikely is that the underwriting banks have begun to anticipate a small take-up of the rights issue and are positioning themselves accordingly. Not only is the Saudi Prince al-Waleed standing by to relieve them of up to two-thirds of their exposure. The banks still claim no more than a faint inkling of how the issue has gone.

That said, it is regrettable that the French system requires a full month for subscriptions to be added up. A large uncertainty hangs over the shares meanwhile, and there are plenty of grounds for scepticism. On its own forecasts Euro Disney does not expect to make a profit before 1996; it will still be 250 per cent geared even after the rights issue.

Above all, the Saudi prince's intervention holds out no promises to outside shareholders. So far his presence has been more of a comfort to Walt Disney and the underwriters of the rights issue.

Perhaps his conference centre will fill up Euro Disney's under-used hotels, but financing the second phase of the theme park would remain tricky. Just because the prince made a handsome profit out of his investment in Citicorp does not mean the same must be true of Euro Disney too.

Congress opens Whitewater probe with Cutler testimony

By Jurek Martin, US Editor, in Washington

The US Congress today opens its inquiries into the Whitewater affair, with Mr Lloyd Cutler, the White House legal counsel, leading a parade of administration officials testifying to the House of Representatives banking committee.

The remit of the congressional hearings – the counterpart committe in the Senate is due to begin its work later this week – is limited but could embarrass the administration and might further damage some prominent careers. The sessions will be televised.

By agreement with Mr Robert Fiske, the special counsel on Whitewater, the committees are to confine themselves to the "Washington end" of the complex tale of land and financial dealings of President Bill Clinton and his wife in Arkansas in the late 1970s and the 1980s.

In a preliminary report last month, Mr Fiske cleared White House and Treasury officials of any criminal wrongdoing. But witnesses will be questioned on their knowledge of contacts between the Clinton White House and regulatory agencies with responsibility for investigating the Whitewater affair.

In a weekend TV interview, Mr Cutler said there had been "some regrettable errors of judgment" by some officials and that contacts should have been limited to White House and Treasury legal counsels. But, he said, his own internal review had found "no violation of any ethical legal standard".

Mr Roger Altman, deputy Treasury secretary and former acting head of the Resolution Trust Corporation, the agency set up to clear up the savings and loan debacle of the 1980s, appears to be under most pressure.

Mr Altman is suspected of concealing to Congress, in testimony last February, his full knowledge of contacts with the White House about criminal investigations of Madison Guaranty, a now defunct Arkansas savings and loan body, which is at the heart of the Whitewater affair.

Yesterday, the New York Times reported that the diaries of Mr Joshua Steiner, chief of staff to Mr Lloyd Bentsen, Treasury secretary, included notes that Mr Clinton himself was irate when Mr Altman decided to excuse himself from the Madison probe in February. Mr Clinton has denied any such intervention.

Mr Bentsen also faces questions about his knowledge of inter-agency contacts. Ms Jean Hanson, Treasury legal counsel, is reported to have told Senate investigators that she had attended a meeting in February, with Mr Bentsen and Mr Altman, about Madison, which preceded a briefing by Ms Hanson and Mr Altman of White House officials.

The Treasury secretary issued a statement on March 3 to say he was never informed of any such meetings. Over the weekend, Mr Altman's lawyer said his client had "no recollection" of the meeting described by Ms Hanson.

The conduct of the House committee hearings will depend in good measure on the chairmanship of Mr Henry Gonzalez, a Democrat. He was long opposed to the hearings and has been portrayed by Republicans as a staunch defender of the president. But his record for rooting out presumed malfeasance is long and impressive.

Bourse probe

Continued from Page 1

media reports and rumour reflects sensitivity to events which might damage Frankfurt as a financial centre. The start of the latest investigations coincides with the introduction in Germany – two years later than the European Union's proposed deadline – of new laws making insider trading an offence.

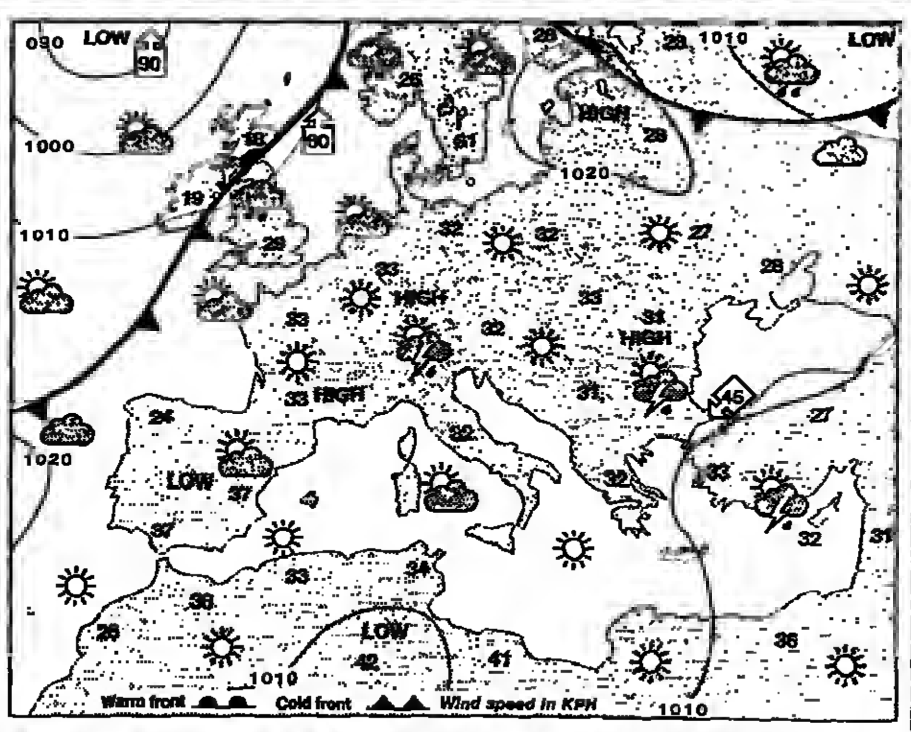
FT WEATHER GUIDE

Europe today

High pressure extending from the Baltic states to southern France will govern almost all of Europe. The heat wave will continue in Poland, northern Germany, the Alps, and many other areas. Any showers will be confined to the Alps and particularly to Switzerland. Sea breezes will slightly cool the Mediterranean coast. Near record temperatures of around 31C will persist in southern Sweden. A lingering front over the British Isles will cause rain and outbreaks of thunder from the Irish Sea through Wales and into Scotland. Central England will have showers and the Republic of Ireland will be quite cool with a lot of cloud.

Five-day forecast

Cooler air will make slow progress over England during Wednesday but the continent will stay hot. Rain and thunder will develop in France and Belgium on Thursday but temperatures will continue between 30C-36C into the weekend in Germany, Austria, and most other central European countries. Norway will become cooler and unsettled with some showers, but the rest of Scandinavia will continue warm and rather sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	fair	36
Accra	cloudy	27
Algiers	sun	33
Amsterdam	sun	29
Athens	sun	32
Atlanta	thund	34
B. Aires	fair	13
B.ham	rain	24
Bangkok	thund	33
Barcelona	sun	28
Beijing	fair	31
Belfast	cloudy	18
Belgrade	sun	31
Berlin	thund	34
Bermuda	fair	32
Bogota	fair	21
Bombay	rain	28
Brussels	fair	31
Budapest	sun	34
C.hagen	fair	28
Cairo	sun	36
Cape Town	fair	15
Caracas	shower	25
Cardiff	rain	20
Casablanca	fair	28
Chicago	fair	27
Cologne	sun	33
Dakar	shower	29
Dallas	fair	36
Delhi	rain	31
Dubai	sun	38
Dublin	cloudy	19
Dubrovnik	sun	30
Edinburgh	rain	21
Faro	sun	28
Frankfurt	sun	33
Geneva	fair	31
Gibraltar	sun	28
Glasgow	rain	19
Hamburg	fair	30
Helsinki	shower	26
Hong Kong	shower	31
Honolulu	shower	31
Istanbul	fair	29
Jakarta	fair	32
Jersey	fair	21
Karachi	fair	32
Kuwait	sun	45
L. Angeles	sun	26
Las Palmas	sun	27
Lima	cloudy	18
Lisbon	cloudy	27
London	cloudy	29
Lux.bourg	sun	31
Lyon	sun	33
Madeira	sun	25
Madrid	sun	37
Majorca	fair	32
Malta	fair	31
Manchester	rain	22
Manila	shower	30
Melbourne	fair	14
Mexico City	shower	20
Miami	thund	32
Milan	sun	32
Montreal	shower	26
Moscow	fair	23
Munich	sun	30
Nairobi	fair	23
Naples	sun	31
Nassau	fair	31
New York	thund	31
Nice	sun	29
Nicosia	fair	38
Oslo	sun	28
Paris	fair	33
Perth	fair	20
Prague	fair	32
Rangoon	shower	32
Reykjavik	rain	15
Rio	fair	25
Rome	fair	31
S. Frsco	fair	21
Seoul	fair	35
Singapore	shower	32
Stockholm	sun	28
Strasbourg	sun	34
Sydney	sun	17
Tangier	sun	28
Tel Aviv	sun	33
Tokyo	shower	31
Toronto	fair	22
Vancouver	fair	23
Venice	fair	31
Vienna	thund	33
Warsaw	thund	32
Washington	thund	33
Wellington	shower	9
Winnipeg	sun	25
Zurich	thund	30

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday July 26 1994

IN BRIEF

Sprint in Mexican joint venture

Sprint, the US telephone group, and Grupo Iusacell, a leading Mexican cellular telecommunications company, are joining up to provide a long-distance service in Mexico. Page 19

France Télécom may seek industrial links
A report due this week from Marcel Roulet, chairman of France Télécom, is likely to recommend that the state-owned telecoms group should open its share capital to industrial partners. The proposed legal change would enable the French government to reduce its holding and allow the operator to cement its industrial alliance with Deutsche Telekom. Page 20

MG Corp to end Castle relationship
Metallgesellschaft, the German industrial group crippled last year by its energy dealings in the US, yesterday revealed it was planning to end its loss-making relationship with Castle Energy, a US refiner. Long-term oil contracts between Castle, of which the German group owns 40 per cent, and MG Corp, its principal US subsidiary, have continued to sap the group's profits in the months since it organised a financial rescue.
Page 18

UK cable group raises $479m in US
Bell Cablemedia, the UK's third largest combined cable television and telephone operator, has raised $479m in equity and debt on the New York stock exchange. This was the second and largest cash-raising exercise for UK cable on the New York exchange. Page 22

Bullough leaps to £7m after reshape
Tight cost controls and restructuring have produced a sharp increase in interim pre-tax profits, from £50,000 to £7.13m ($11.05m), at Bullough, the diversified engineering and office products group.
Page 23

Foreign orders fuel Siemens
Siemens yesterday reported increased orders in spite of a 6 per cent slip in net profits. The German electrical and electronics group said that growth continued to be fuelled by foreign demand but that domestic orders were also improving.
Page 19

Cable side boosts Capital Cities/ABC
Second-quarter profits at Capital Cities/ABC have increased by 25 per cent, benefiting from a strong performance by the US entertainment group's network, cable and international television businesses.
Page 19

Goodyear advances 18%
Goodyear, the US tyre group, has posted an 18 per cent increase in second-quarter net earnings.
Page 19

SGS-Thomson fights back
In 1986, Thomson Semiconductor of France and SGS Microelectronics of Italy were losing market share and struggling to survive. Eight years on, the merged group, SGS-Thomson, has achieved an impressive turnround and is within striking distance of the world's 10 biggest semiconductor companies.
Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
DLW	450	+	5.5	BNP	263.9	+	7.7
Daimler Benz	786	+	14	CCF	234	+	7.7
Falls				Cred Lyon	484	+	19
Kaufhof	492	-	4.5	Danone	821	+	18
KHD	132	-	17.8	Geophysique	546	+	36
Lufthansa	196	-	5.5	**Falls**			
Porsche	765	-	17	Eurodisney	10	-	1.7
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
CBS	311	+	2⅝	Teikoku Oil	778	+	15
Cap Cities	79½	+	1	**Falls**			
Falls				Amada Co	1140	-	50
Exxon	49	-	⅛	Chiyoda Fire	684	-	33
McDonnell	110⅞	-	4⅛	Gun & Chem	543	-	28
Mobil	83⅞	-	1	Nissan Motor	750	-	57
Texaco	62¾	-	¼	Toyo Kanebo	657	-	23

New York prices at 12.30pm.

LONDON (Pence)							
Rises				MTM	71	+	5
Adam & Harvey	428	+	25	Magnolia	73	+	3
Bullough	154	+	9	Merivale Moore	75	+	4
Chemring	293	+	9	Wheeatie	134	+	15
Church	460	+	17	**Falls**			
Dale Elect	72	+	11	Bemlein Grp	257	-	43
Flextech	385	+	23	Clinical Comp	80	-	10
Greggs	933	+	25	Euro Disney	118	-	5
Hall Eng	175	+	13	Holders Tech	111	-	31
Hewetson	68	+	4	Raliege	288	-	17
Johnson Fry Hlds	208	+	9	Trafalgar House	78	-	4
Learmonth Burch	78	+	9				
London & Man	335	+	11				
Low (Wm)	278	+	13				

Oil price rise hits refining margins

By Richard Waters in New York

Three big US energy groups produced disappointing second-quarter results yesterday, reflecting lower profit margins from refined products due to the rebound in oil prices in recent weeks.

The higher oil price repaired some of the damage which had been done late in 1993 and early this year to exploration and production profits at Exxon, Mobil and Texaco.

However, this was more than countered by the higher costs faced by their downstream, or refining and marketing, operations, which were unable to put up prices sufficiently to offset the rebound in the price of the commodity.

Two of the three, Mobil and Texaco, were also held back by restructuring costs announced this month.

Exxon, which reported its lowest quarterly after-tax profits since the last quarter of 1989, saw exploration and production earnings fall 11 per cent to $603m. The company blamed the drop on the fact that oil prices were on average $2 a barrel lower than the second quarter of 1993, despite the recent run-up.

Before one-off charges, Mobil's upstream earnings slipped 15 per cent and Texaco's fell 37 per cent, to $335m and $155m respectively.

Downstream earnings, meanwhile, showed a reverse of the first three months of the year. At that time, profit margins had swollen as the companies benefited from lower input costs.

In the second quarter, Exxon's refining and marketing profits slid 50 per cent, to $201m; Texaco's fell 41 per cent, to $106m; and Mobil's slipped 8 per cent, to $224m (all figures before one-off items.)

Echoing comments from the other companies, Mr Alfred DeCrane, chairman and chief executive of Texaco, blamed the poor downstream results on rising costs.

"Market conditions precluded recovery of these added costs to the refining and marketing units," he said.

One bright spot for the big US oil companies has been the rebound in profitability at their chemicals businesses in recent quarters. In the latest period, Exxon said profits had jumped to $110m, from $50m a year before.

Both sales and profit margins in the chemicals business improved during the latest quarter, and profits have now risen in four consecutive periods, said Mr Lee Raymond, Exxon chairman.

Mobil recorded earnings of $39m from chemicals, almost as much as the $44m it made in the whole of last year. Texaco reached agreement recently to sell its chemicals operations, and accounted for these operations as a discontinued business.

Capital spending at each of the companies fell during the first half of the year, as they put some exploration projects on hold pending a recovery in the oil market. At Exxon, total capital spending fell 10 per cent, to $3.5bn.

Chart, Page 22

Alan Cane reports on how the US computer maker intends to halt a string of losses

Fingers crossed as Digital gets to grips

They used to call it the "Digital handshake": arms folded, index fingers extended in either direction, indicating that responsibility lay anywhere other than with the individual concerned.

Today the fingers are pointing at the senior management of Digital Equipment, the struggling US computer manufacturer, as it prepares to announce its fourth consecutive set of annual losses, including roughly $1.6bn of charges to cover 20,000 job losses, cutting 10m sq ft of manufacturing and office space, and asset write-offs.

The Massachusetts company is also preparing to abandon matrix management in favour of a simpler system conferring greater accountability for decisions.

How serious are Digital's problems? Mr Enrico Pesatori, head of the newly constituted computer systems division, underlines the urgency: "The company must return to profitability in the next two quarters. We are not running out of money – we have a strong balance sheet – but if we fail, the confidence of our employees, our shareholders and our customers will sink to a point that will be very serious for us." The fear is that continuing losses and a failure of confidence would pitch the company into a financial death spiral.

Key to the resuscitation of the group is the performance of Mr Pesatori's division, essentially the heart of Digital's traditional business. Medium and large computer systems are losing money because the cost of supporting large engineering, manufacturing and sales operations remains out of line with anticipated revenues.

Mr Pesatori, 53, joined Digital last year from Groupe Bull of France, to revitalise the PC operations. Following the surprise resignation in April this year of Mr Edward Lucente, head of worldwide sales and marketing, Mr Pesatori was promoted to his present position, essentially number two to chief executive Mr Robert Palmer and carrying most of the responsibility for Digital's recovery strategy.

Digital's traditional computer business, a source of strength in the 1980s, is now its biggest headache. Since May, Mr Pesatori and other senior executives have put together a five-point plan to enable the division to break even by the end of this financial year. If it works, he argues, the company will be comfortably in profit through its other activities. His analysis reads like a catalogue of the mistakes Digital has made over the past years:

- First, he says, the division has to focus on key markets: "We have been all over the place in engineering and in the industries we served. We have not focused on our strengths."
- Second, there has to be an new emphasis on low-cost, high volume products, the bread and butter of the new computer industry. "Our engineering capabilities have become isolated from the market. We excelled in niche markets, but niche players employ 5,000 people, not 90,000."
- Third, Digital has to restore a credible distribution policy based on a reliable network of dealers, systems integrators and value added resellers (VARs).

The company had an excellent network in the 1980s, but threw it away because of fears about loss of account control and smaller shares of the gross profits. Now the plan is that only the largest 1,000 customers worldwide will be serviced directly. The remaining 7,000 will be handled by VARs and dealers.

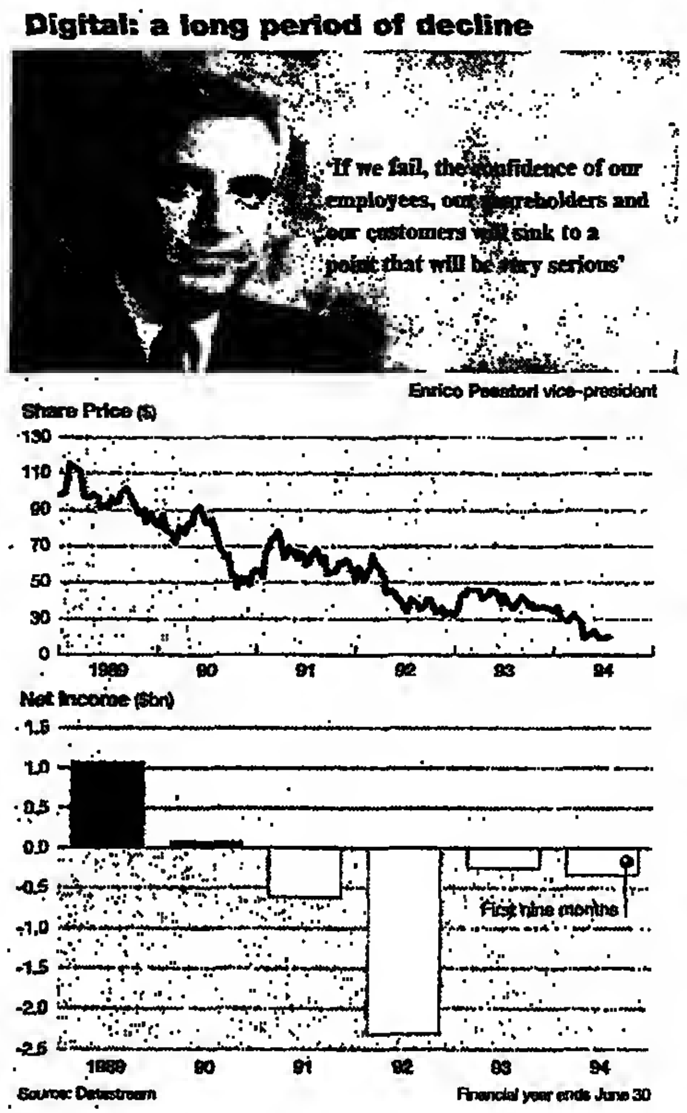
- Fourth, accountability. The new management structure should ensure that executives are responsible for their decisions. Mr Pesatori notes: "We have to open up a complex, layered structure. We have to penetrate robust layers of management that are resistant to change."
- Fifth, profitability. Mr Pesatori believes there is no magic in the business model for the modern computer industry: "You have to have a 40 per cent gross profit margin; general administrative expenses should not be above 22 per cent and research and development should not cost more than 12 per cent of revenues." It is generally acknowledged that its overheads and engineering costs are twice as high as some rivals.

The dilemma for Digital is the decline of revenues from its traditional, proprietary systems while customers ponder moving to newer, lower cost industry standard systems. The company was slow to embrace standard systems, then shot itself in the foot with a panicky campaign to persuade customers to move quickly to the newer technology. Mr Pesatori hopes to stabilise the migration, creating a more predictable and manageable loss of revenues from Digital's proprietary hardware.

Nobody discounts the difficulty of the task Digital's management is attempting: "Between here and there is a tremendous implementation problem," admits Mr Pesatori, "but we have contingency plans and our strategy is based on very pessimistic estimates of our revenues."

Digital has been its own worst enemy since its troubles became apparent four years ago; this latest offensive may be its last chance to avoid a spiral of decline.

Digital: a long period of decline



US phone groups in cellular venture

By Patrick Harverson in New York and Andrew Adonis in London

AirTouch Communications, the California-based cellular telephone company, and US West, the Baby Bell regional telecommunications group, are to merge their domestic cellular telephone businesses in a joint venture.

The venture will create the third largest provider of cellular phone services in the US. It will have cellular licences in 16 of the top 30 markets and serve more than 1.7m customers.

The deal, which requires the approval of federal regulators, is the latest in a series of alliances within the fast-growing mobile communications business. Analysts see this as part of a restructuring of the US telecoms industry in the face of regulatory upheaval, technological change and the erosion of boundaries between local, long-distance and mobile services.

AirTouch is the former cellular arm of Pacific Telesis, while US West is a Denver-based operator covering 14 mid-western states. While neither companies' international operations will be included in the joint venture, the two groups will work together to develop non-US business.

In Europe, AirTouch has a stake in Mannesmann Mobilfunk, the second cellular network in Germany, and in the consortium behind Italy's second network.

US West's overseas interests include a half-share in Mercury One-2-One, the third-largest UK cellular operator.

Under the terms of the deal, AirTouch will own 70 per cent of the joint venture and US West 30 per cent, with US West allowed to convert its stake into direct ownership of AirTouch stock subject to certain conditions. For regulatory reasons the two operations will initially be kept separate, with a single entity providing management and support services.

The announcement of the joint venture came on the day the US government began auctioning licences for "narrowband" personal communications services (PCS) such as paging and voice messaging.

AirTouch and US West said yesterday they were also creating a joint venture to pursue opportunities in the PCS business. Time Warner, the US entertainment group eager to move into the telecoms business, is considering participating.

Norsk Hydro shows strong recovery in second quarter

By Christopher Brown-Humes in Stockholm

The strength of the recovery at Norsk Hydro was highlighted yesterday when the Norwegian energy, fertilisers and metals group unveiled a NKr1.93bn ($280m) net profit for the first half following a strong second quarter.

Higher sales volumes, better prices and increased oil and gas production all contributed.

In the first half of 1993, net profits amounted to NKr2.63bn, but the figure was inflated by a NKr1.8bn gain on selling a 38.3 per cent stake in Freia Marabou, the chocolate maker.

Hydro, which has just raised NKr4.7bn through a rights issue, said the result kept it on course for operating profits of NKr10bn in 1996. First-half operating income rose to NKr3.52bn from NKr2.39bn, as revenues climbed to NKr35.2bn from NKr32.2bn. In the second quarter, operating income more than doubled to NKr1.93bn from NKr936m as revenues rose to NKr17.9bn from NKr15.8bn.

The group's shares gained NKr8 yesterday before settling to close NKr1 higher at NKr251.

All four divisions – oil and gas, light metals, agriculture and petrochemicals – achieved better results in the second quarter. The biggest improvement came from the agriculture division where rising fertiliser prices, better productivity and higher volumes helped lift operating income to NKr544m from NKr99m. Poor weather at the start of the year pushed demand into the second quarter.

Oil and gas operating income rose to NKr900m from NKr732m as output expanded to 2.9m tonnes of oil equivalent from 2.2m. Average oil prices at slightly under $16 per barrel were $2 lower than a year ago, but the impact was partially cushioned by a higher average dollar exchange rate.

Firmer aluminium prices strengthened the light metals division, pushing up operating income to NKr305m from NKr85m. The petrochemicals division saw higher sales and better prices, lifting operating profits to NKr172m from NKr82m.

Mr Alan Marshall, analyst at Swiss Bank Corporation in London, said he expected full-year net income of NKr3.7bn, compared with NKr3bn last year. "With oil, aluminium and PVC prices continuing to go up, the second half will be fairly strong," he said.

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Lucas dismisses inquiry claims

By Andrew Bolger in London

Lucas Industries, the UK-based engineering group, yesterday dismissed claims that it was under criminal investigation in the US for falsifying inspection of parts for commercial aircraft.

A report in yesterday's Wall Street Journal caused Lucas's shares to fall from 198p to 183p when trading started in London. They recovered to close at 193p.

The Journal said US industry and law enforcement officials had told it Lucas was being investigated over serious quality control lapses involving devices that help move the flaps on Boeing's 767 twin-engine jets.

Lucas said yesterday that through its own investigations, it had discovered a small number of in-process visual inspections had not been conducted on the trailing-edge flap actuators supplied to Boeing. "However, final inspection and functional tests on computerised test-rigs, which determined the integrity of the products, were fully and successfully completed. After this discovery, Lucas voluntarily informed Boeing and, in accordance with Lucas compliance practice, the US government."

The UK group said it had taken disciplinary action against three employees. It added: "Lucas performed analysis to confirm flight safety of the actuators. These indicated that the parts met all quality requirements and Boeing concurs. There were and are no quality problems on these products."

Boeing said: "This appears to us as a process problem, and not a quality problem, that Lucas caught and fixed. We concur with Lucas that these parts meet all quality requirements and believe the product is absolutely safe."

Lucas said it had notified the US Justice Department of the problems at its Lucas Western plant at Park City, Utah, but was not aware of any active investigation by the department.

In May Lucas confirmed it was under investigation by the Pentagon for allegedly supplying gearboxes from the Utah plant that fell below specified standards for the US Navy's F/A-18 fighter aircraft. Lucas said yesterday it had made progress with its corrective action.

German group to cut links with Castle Energy

By Richard Waters in New York

Metallgesellschaft, the German industrial group crippled last year by its energy dealings in the US, yesterday revealed it was planning to end its loss-making relationship with Castle Energy, a US refiner.

Long-term oil contracts betweeo Castle, of which the German group owns 40 per cent, and MG Corp, its principal US subsidiary, have continued to sap the group's profits in the months since it organised a financial rescue.

MG Corp is committed to buying Castle's output under cootracts stretching into the next century, at prices above normal market levels. The company is believed to have been trying to negotiate changes to the contracts for some months, with no success.

In a filing with the Securities and Exchange Commission yesterday, MG disclosed it was seeking to "terminate and/or modify" its relationship with Castle.

If it is unable to agree a settlement with Castle, then it is likely to remove financial support from the company, virtually all of whose debt is owed to MG. The German group warned it did not intend to extend deht which falls due from Castle on September 30.

Yesterday's news represents an attempt hy MG to increase the pressure on Castle in the renegotiations of its contracts with the German group. If these fail MG could face substantial costs, including the write-off of its investment in the company and the loss of much of the debt it is owed.

The contracts between MG and Castle have been the subject of intense investigation this year. "Castle Energy is a money-making machine, and MG Corp is a money-destroying machine," Mr Kajo Neukirchen, Metallgesellschaft's chairman, was reported as saying recently.

"Whoever is responsible for the 76 individual contracts between MG Corp and Castle Energy must have certainly had an ulterior motive," he added.

Renault and Iveco extend co-operation over parts

By John Ridding in Paris

Renault, the French state-owned vehicles group and Iveco, the commercial vehicles subsidiary of Fiat of Italy, yesterday announced that they would co-operate in the manufacture of cabins for light commercial vehicles.

The agreement reflects the strategy of both companies of seeking partnerships in specific product lines and technologies to reduce the cost of vehicle development.

Under the terms of the accord, Renault and Iveco will jointly develop cabs and cab components, with an expected annual production volume of 120,000 units. Renault will receive part of Iveco's stamped welded ootput in return for technology from the French group.

According to a joint statement, the cabs will be fitted on future Iveco Daily vehicles and on a new Renault light commercial vehicle range. The cabs will he assemhled in Iveco's Italian plants in Brescia and Suzzara, and at its Valladolid plant in Spain, while Renault will assemble the cabs at its Batilly site in France.

The co-operation in cabs follows agreements between Renault and Iveco in vehicle components. Iveco currently supplies an annual total of ahout 40,000 2.5 litre diesel engines, manufactured in Foggia, to power the Renault Safrane, Trafic and Master Vehicles.

Renault has played down speculation of a hroader alliance with Fiat, following the collapse of its merger plans with Volvo of Sweden.

Fund to buy Portuguese groups in Es24bn deal

By Peter Wise in Lisbon

Espirito Santo Development Capital Investors (ESDCIL), a fund dominated by Mr George Soros, the international financier, is to purchase Portugal's leading packaging company and two Portoguese and French car battery producers in daals worth more than Es24bn ($147m).

The fund has reached an agreement to buy 100 per cent of Colep, a metal and plastic packaging gronp with annual sales of Es14hn, for Es20bn-Es25bn. Colep leads the Portuguese market for aerosol and other cans and is also a contract filler and distributor of packaged goods.

Colap is majority owned by Mr Ilídio de Pinho, a Portuguese entrepreneur. A US institntional investor holds about 25 per cent. ESDCIL said Mr de Pinho was selling to ensure management continnity after his only son died in a car accident.

Abont 25 per cent of the cost of the purchase is to be met directly from the Es16.34bn closed-end fund. Investors in the fund will pay the remainder separately. Companies controlled by Mr Soros account for 50 per cent of the ESDCIL fund. The other main investors are Espírito Santo, the Portuguese financial gronp, and European, Middle Eastern and US institutions.

In a separate deal, ESDCIL is to acquire 48 per cent of Autosil, a Portuguese family-owned car battery maker, by injecting abont Es4bn in fresh capital. Antosil will use the funds to purchase 100 per cent of Steco, France's second automotive battery producer and third in sales, for FFr100m-FFr120m.

Antosil registered sales of Es3.3hn in 1993, acconnting for 30 per cent of the Portuguese market. Sales are forecast to rise to Es6bn in 1995 as a result of a contract to supply a new Ford-Volkswagen car plant in Portugal. Steco's 1993 sales were about FFr500m.

ESDCIL said Antosil and Colep were both likely to be floated on the Lisbon stock market over the medium term.

Speedy transformation at SGS-Thomson

John Ridding reports on the turnround at the Franco-Italian semiconductor maker

When SGS Microelectronics of Italy and Thomson Semiconductor of France started discussing a merger in 1986, the two companies had a lot in common. Both of the state-owned enterprises were losing market share, hoth were in financial difficulties and both were struggling to survive in an increasingly competitive industry, with entrenched US and Japanese market leaders and aggressive pretenders emerging in east Asia.

Eight years on, the transformation has heeo impressive. The Franco-Italian group has moved into the hlack, expanded market share, and has moved to within striking distance of the world's 10 hıggest semiconductor companies. It is at the head of the field in technologies such as antomotive semiconductors, and Eproms, devices which store data without a power supply, and is preparing to take oo Intel, the industry giant, in the strategically-important microprocessor market.

The transformation has fed through to the bottom line. Mr Pasquale Pistorio, the Italian chairman of SGS-Thomson who has guided the company back from the brink, predicts a strong improvement in profits this year. In the first quarter, the group chalked up a net profit of $80m, half of the result for all of 1992. The second quarter was still better, according to the chairman.

"It is quite a turnround," says Mr Pistorio. "Many people felt that we were doomed to failure and that Europe could not compete at the top of the world semiconductor industry."

Given the problems of achieving a transnational merger and the struggle faced by many European companies in high technology sectors, the revival appears all the more striking. It raises two related questions; how has the turnround been achieved and will the restructuring prove a durable basis for continued expansion at SGS-Thomson.

The backing of state shareholders, concerned to maintain a presence in a strategic industry, has certainly helped. Last year, SGS-Thomson received two capital injections of $250m each, which have helped bring its debt-equity ratio to below 30 per cent and ease the burden of financial charges.

But the recovery has mainly been based on a fundamental reorganisation of the company's operations and a strong effort in R&D. "When we started we had sales of $44,000 per head," says Mr Pistorio, well below the industry average, and about a third of the present level. The result was the closure of five plants in the first year of the merger, three in France, one in Malaysia and one in Singapore.

The common factor behind these first actions was speed. "There were some within the company who thought we should look at a time scale of two years to integrate the companies," says Mr Pistorio. "But I concluded it was best to move as quickly as possible. If you go fast then it is difficult for people to hesitate, and it prevents a long period of confusion for customers."

But in spite of the rapid pace of change, two important factors remained constant – commitment to a global manufacturing and sales presence and the emphasis on R&D and innovation.

"We have never cut one person in R&D and we have increased research spending as a proportion of sales to about 18 per cent," says Mr Pistorio. Efforts were focused on closing the gap with market leaders in CMOS and VLSI technologies, used in a series of applications from microcontrollers to the compression of electronic signals. SGS-Thomson has also maintained its international operations.

Last year, SGS-Thomson opened a stale of the art plant in Crolles in south-eastern France. Another plant in Phoenix, Arizona, is in the installation phase, while one in Catania, Sicily, is under construction.

This new capacity will help push up volumes in the company's more advanced product lines. But, as Mr Pistorio admits, there is still a long way to go. He says the technology and capital requirements of the sector mean that the industry will divide into two hroad categories; general, broad range, semiconductor suppliers and small specialist producers. The dividing criteria, he reckons, will be market share, and the crucial level will be about 5 per cent, a few points higher than his company's present share.

To lift the company out of what he describes as "the grey zone", Mr Pistorio is banking partly on sales growth above the market average and on a further shift towards higher value-added products. April's decision to enter the microprocessor market, with devices to be sold under its own name, also reflect the move towards higher margin products.

In other areas, however, the company's strategy is to develop partnerships. At the Crolles plant, for example, researchers from Philips work alongside counterparts from SGS-Thomson on the development of VLSI products. "It is the only example of European semiconductor companies putting their leading edge research together," says Mr Pistorio.

As for new capital, the chairman finds it hard to disguise his enthusiasm for privatisation. "Our shareholders have been very business-minded," he says. There is no question, he concludes, that privatisation would make sense, but the "if, when and how" is up to the shareholders.

With both the French and Italian governments already embarked on ambitious privatisatiou programmes, and with the prospect of further increases in profits, the privatisation of the company now appears more a question ol when and how, than if.

Privatisation in 1996 for Pechiney

By John Ridding

Mr Jean-Pierre Rodier, who is due to take over as chairman of Pechiney later this week, believes that the French state-owned aluminium and packaging company will probably be privatised in 1996.

He also believes that the priority for the company was to return to profit. In 1993, Pechiney suffered a net loss of FFr980m ($180m).

Mr Rodier said that, although 1996 might seem distant, it does not leave much time for the company to prepare itself for sale. In addition to reversing its losses, the company is also at the centre of a proposed, hut complex, alliance with Compagnie Nationale du Rhône, the hydro-electricity producer.

Trafalgar House in shake-up

By Simon Davies in London

Trafalgar House, the UK construction, property and shipping group, yesterday announced further restructuring costs for its troubled engineering division, only seven months after it revealed £397.3m ($607.1m) of exceptional charges which analysts had described as a "kitchen sink exercise".

The company said the latest costs, which will amount to "at least £15m", are being made to ensure that the engineering division can operate profitably at reduced levels of business.

Trafalgar shares fell 4p to 78p yesterday, their low point for the year, as analysts marked down earnings forecasts hy close to one third.

Forecasts for the engineering, shipping and property group were also cut back substantially after disappointing interim results on May 26.

Brokers' forecasts are now suggesting pre-tax profits of around £35m for the year to September; this compares with a consensus forecast of around £80m at the start of the year.

A large portion of the restructuring costs are likely to come in the form of more joh cuts for the engineering division's 22,000 workers, and a Trafalgar official indicated that the latest redundancies were likely to be in the "hundreds".

In addition, the company is planning to merge some of its operations in continental Europe and the UK, reflecting the weak performance there.

US ENERGY COMPANIES - SECOND QUARTER NET INCOME ($m)

	Total		E&P*		Downstream		Earnings per share		HALF-YEAR TOTAL	
	'94	'93	'94	'93	'94	'93	'94	'93	'94	'93
Exxon	885	1,235	603	761	201	446	0.70	0.98	2,045	2,420
Mobil	198	579	150	465	189	105	0.46	1.41	733	1,089
Texaco	28	309	115	245	44	179	0.35	1.11	317	593

*Exploration and production. Quarterly figures include the following after-tax charges, net of one-off gains: Mobil, $315m ($80m in 1993); Texaco, $120m (none in 1993); Exxon, none ($210m gain in 1993)

French group proposes merger with Stena arm

By David Lascelles, Resources Editor, in London

Coflexip, the French manufacturer of flexible pipe for the offshore oil industry, has proposed a merger with Stena Offshore, the sub-sea contracting arm of Stena of Sweden. The $230m transaction will create a sub-sea oilfield products and services group with sales of $650m.

Coflexip, whose hıggest shareholders include Elf Aquitaine, will finance the deal through a combination of securities and $30m in cash.

Mr Christian Marbach, Coflexip's chairman, said Stena's strengths in offshore contracting made the merger a good match. Coflexip's skill, meanwhile, was in manufacturing and technology.

Sprint joins Iusacell in venture

By Damian Fraser in Mexico City

Sprint, tbe US telepbone group, is joining up with Grupo lusacell, a leading Mexican cellular telecommunications company, to provide a long-distance service in Mexico from January 1997.

lusacell will own at least 51 per cent of the new company, and Sprint at least 33 per cent. Bell Atlantic, the US Baby Bell, last year agreed to take a 42 per cent in lusacell for $1.04bn, and will indirectly own a stake in the new venture.

The lusacell-Sprint joint venture will first apply for regulatory approval to provide long-distance services. The Mexican government has agread to open up the long-distance telephone market to competition from 1997, but has not yet issued licences, nor established the requirements potential carriers will have to meet.

However, lusacell and Sprint expect to be given approval soon.

Last month the ministry of communications and transport agreed in principle not to limit the number of long-distance carriers as part of the first step in opening up the telecommunications sector.

Sprint's venture in Mexico follows a similar move by MCI, tbe second largest US long-distance carrier, whicb earlier this year formed a $1bn alliance with Grupo Financiero Banamax to provide long-distance services from 1997. MCI will invest about $450m in the new company, taking a 45 per cent stake in it.

Sprint and MCI will be competing against Teléfonos de México, the current monopoly provider, in which Southwestern Bell has a minority stake.

Telmex earned about $4bn from long-distance revenues last year, $2.5bn from domestic long-distance and $1.5bn from international. Mr John Cahill, vice-president of Sprint, said Mexico's long-distance market could be worth $20bn by the end of the decade.

Sprint said the new Mexican company will advance its strategy of creating "a seamless Nortb American network to handle the anticipated demand stemming from the North American Free Trade Agreement". Sprint already offers long-distance services in Canada, in partnership with Call-Net, Canada's largest alternative communications carrier.

Iusacell, whicb sold 9 per cent of its capital for $250m in an initial public offering last month, is the non-Telmex cellular company in central Mexico, with more than 150,000 subscribers.

The company is planning to offer a wireless local telephone service in Mexico next year. A spokesman said Iusacell expected to be granted the necessary regulatory approval in the next faw weeks, and would begin test trials later this year.

The local service would enable lusacell to offer integrated local and long-distance telephone services from 1997.

Inco loss widens as deliveries decline

By Bernard Simon in Toronto

Inco, the western world's biggest nickel prodncer, has suffered deeper second-quarter losses. It blamed a dip in prices and lower deliveries of nlckel and platinum-gronp metals.

The loss widened to US$7.6m, or 7 cents a share, from US$2.2m, or 3 cents, a year earlier. First-half losses grew to US$67.6m, or 60 cents a share, from US$24.8m, or 25 cents, largely reflecting one-time restructuring charges.

Second-quarter net sales dipped to US$590m from US$604m. Operating earnings halved to US$22m.

Tbe average nickel price realised in the second quarter was US$2.82 per pound, down from US$2.93 a year earlier, but above the US$2.77 realised in the first three months of 1994.

Inco's performance has been hit this year by lower deliveries of company-prodnced nickel and platinnm-gronp metals. The fall was blamed on production sbutdowns and the accumulation of nickel inventory ahead of summer holiday shutdowns in Canada.

Deliveries of purcbased nickel, on which little or no profit is realised, have, as a consequence, been higher than normal.

These adverse factors were partly offset by higher cobalt and copper prices, and a slight improvement in nperating resnlts from the alloys and engineered prodncts business.

Finisbed nickel inventories totalled 75m lbs on June 30, up from 51m lbs on March 31 and 72m lbs last December.

Siemens slips to DM1.2bn despite improved demand

By Christopher Parkes in Frankfurt

Foreign demand is cootinuing to fuel growth at Siemens, and there are signs that domestic orders are also improving, the German electrical and electronics group said yesterday.

Total order intake in the nine months to the end of June increased 8 per cent to DM65bn ($41.6bn). Turnover rose 3 per cent to DM57.7bn, but oet profits fell 6 per cent to DM1.25bn, according to an interim report.

The deterioration in earnings, following an unchanged result after six months, was foreshadowed recently by Mr Heinricb von Pierer, group chairman, wbo said prices in some sectors had fallen 10 per cent or more. Investment income is also suffering in turbulent capital markets.

The export order book was up 18 per cent at DM39.4bn, while domestic demand fell 5 per cent to DM25.3bn, after being 6 per cent down at the halfway mark, the report said.

Siemens-Nixdorf (SNI), tbe troubled computer subsidiary, also benefited from a stroog order flow in the third quarter. After a 6 per cent fall in the first six months of the current year, SNI's order book was down only 2 per cent at the end of the quarter. Sales were 4 per cent lower at DM8bn.

The semiconductors division, recently reported to be in profit for the first time in a decade, lifted sales and order bookings by 47 per cent and 37 per cent respectively in the review period.

However, public telecommunications orders were 4 per cent lower, and turnover was down 9 per cent. Traditionally the group's biggest source of turnover, the sector is still showing the affects of reduced German public sector spending.

Power plant, the secood-most important division, received a boost in the third quarter from orders from Taiwan and the UK. At the end of the review period, orders were 28 per cent bigher tban a year earlier, although turnover was 8 per cent lower.

Yesterday's report gave no full-year forecasts, althougb group executives receotly repeated earlier predictions of a 10-15 per cent drop in operating earnings for the full year, attributable to a weaker result from financial operations.

Net income, bolstered by the sale of Siemeos' pacemaker operations to a US concern, is expected to fall slightly short of last year's DM1.98bn.

This year's planned payroll reduction of 20,000 jobs is proceeding according to plao. After adjustments for the first-time consolidatioo of the Sylvania lighting business in the US, numbers employed fell 6,000 in the third quarter. Some 4,000 of these job cuts were in Germany.

Second term earnings up strongly at Goodyear

By Frank McGurty in New York

Goodyear, the US tyre group, lifted net earnings in the second quarter by more than 18 per cent to $163.2m, or $1.08 a share.

The result represents a solid improvement on tbe corresponding period of 1993, when the company posted a profit of $137.6m, or 95 cents a share, excluding a charge of $14.6m for the early retirement of debt.

The company sustained its earnings momentum despite the continued sluggishness of the world aconomy, as reflected in its nearly static top line. In the sacond three months of the year, revennes inched ahead to $3.05bn, np from $3bn in the year-earlier quarter. Unit sales of tyres climbed 3 per cent, compared with a 12 per cent growth rate in the first quarter of 1994.

Sales to unaffiliated customers in Europe, the company's second biggest market outside the US, declined almost 4 per cent to $561.5m. Conditions in Turkey were cited as particularly difficult. The downturn was partly offset by modest gains in North America, Latin America and Asia.

Revenues in the US, np 1.6 per cent, grew at a more moderate rate than in the first quarter, when North American motor vehicle output had expanded at an exceptionally rapid pace. In Asia, sales surged 15.8 per cent as new production capacity came on stream in Thailand.

Yesterday, Goodyear's stock was trading at $36¼, down $¼ on the session.

For the six months to June 30, net income reached $279.2m or $1.85 a share, on revenues of $5.96bn. The figures compare with profits of $138.4m, or 96 cents, on revenues of $5.81bn in the first half of 1993.

UK sales lift American Brands

By Richard Waters in New York

A sharp rise in cigarette sales in the UK supported earnings at American Brands, the US consumer prodncts group, in the second quarter of the year.

The rise was largely due to timing factors, as the company's Gallagber subsldiary maintained its claimed market share in the UK at 40 per cent.

Meanwhile, earnings from US cigarette sales, though continuing a partial recovery from the effects of the price war begun last summer, were 23 per cent lower than a year ago.

The company recently reached agreement to sell its American Tobacco sobsidiary to BAT Industries for $1bn.

The increase in volumes in the UK of 44 per cent was due to "distortions caused by a change last year in the timing of the UK government's budget," said Mr William Alley, chairman and chief executive.

Operating income from non-US tobacco sales more than doubled, to $94m, on sales up 49 per cent to $1.2bn.

American Tobacco, meanwhile, saw operating income slide to $70m, on sales of $406m ($419m a year ago.) Its volume gains of 15 per cent in the quarter were slightly ahead of the industry average, resulting in an increase in market share, the company said.

The volume growth was led by low-price brands, which rose 20 per cent, while premium brands rose only 8 per cent.

With the benefit of a lower tax rate, down to 31.3 per cent from 36 per cent a year ago, American Brands reported overall net income of $164m, or 81 cents a share, up from $151m, or 75 cents, a year ago. Half-year net income fell to $313m from $398m (before accounting changes) in the first six months of 1993.

Nortel strengthens Matra ties

By Bernard Simon in Toronto and David Buchan in Paris

Northern Telacom, tbe Canadian telecommunications equipment maker, is cementing a two-year alliance with France's Matra Communications by raising its stake in the group, from 20 to 50 per cent.

During the next year or so, Northern will invest abont US$140m in Matra, and convert an existing US$150m exchangeable debenture into eqnity.

These commitments will raise Northern's total investment to abont US$430m. France's Lagardere media and industrial group, formerly Matra-Hachette, owns the remaining shares in Matra.

The focal point of Northern's interest is Matra's cellular business, which is based on the European GSM standard. Nortel-Matra Cellular, a joint venture, recently won a US$100m contract in Taiwan, in what is believed to be one of the largest deals so far for GSM equipment. Part of Northern Telecom's capital injaction will reinforce the capital of the two groups in this venture.

The venture has recently won contracts in Tunisia and from Mercury in the UK, and plans to use the new casb to recruit an extra 150 engineers for its French-based research centre.

Matra also has a 20 per cent share of the French private branch exchange (PBX) market, and has given Northern a window to several other parts of the European telecoms business. "We're now seeing some fruits of the alliance," a Northern official said.

ED&F Man to buy out fund group

By Antonia Sharpe

ED&F Man, the international commodity trading and financial services group which plans a UK stock market flotation in September, intends to buy the outstanding shares in AHL, a specialist fund manager which uses quantitative techniques to trade futures and currencies.

Mr Stanley Fink, Man's finance director, said yesterday the value of the outstanding shares in AHL would be determined by Man's forthcoming flotation, since it was proposing a share-for-share exchange. The flotation is expected to value Man at about £450m ($697m).

"The exchange of the minority interest in AHL for shares in Man will enable Michael Adam, David Harding and Martin Lueck, who currently own shares in AHL, to participate in the flotation," said Mr Fink.

Although AHL's price/earnings ratio is likely to be lower than Man's, Mr Fink said Man would be paying close to 20 times more than it paid for its original stake in AHL, to reflect the growth in the business.

When Man bought a 51 per cent stake in tbe trading adviser in 1989, AHL only had about $30m under management. Man has since built up its holding in AHL, which now has around $300m under management, to around two thirds.

AHL is one of the leading fund managers in its sector, and claims that its mathematically-based trading strategies have produced annual returns over the last 10 years of 20 per cent after costs.

Solid growth at Capital Cities

By Patrick Harverson in New York

Capital Cities/ABC, the US entertainment group, yesterday reported a 25 per cent increase in second-quarter profits and record earnings per share. It was boosted by another strong performance from its network, cable and international televisinn businesses.

In the quarter, Capital Cities earned $189.5m on net revennes of $1.54bn, up from $151.9m on revenues of $1.44bn a year earlier.

Earnings per share of $1.23, up from 92 cents a share, represented a record for the company. However, it was achieved in the wake of stock repurchases by Capital Cities which reduced the number of shares outstanding by almost 11m to 154m.

The strong second quarter took the company's first-half profits to $305.6m, compared witb $222.4m in 1993 (which excludes a $12.1m cbarge to cover early debt redemption).

The company's flagship ABC television network had another good quarter. It benefited from increased advertiser demand and improved cost comparisons, which offset the absence of earnings from the lucrative Academy Awards show, which this year was broadcast in the first quarter. In the 1993 fiscal year, it went on air io the second quarter.

The company reported significant growth in its radio business and cable and international group operations, which include its rapldly-growing ESPN all-sports cable channel.

Earnings from publishing interests were also bigber, attributable to gains in newspapers and specialised publications.

The second-quarter results pleased investors, who bid the stock up $1¼ to $79¾ on the New York Stock Exchange.

France Télécom expected to seek industrial links

By John Ridding in Paris

A report by France Télécom, the French state-owned telecoms operator, is expected to recommend the company's legal status be reformed to enable the opening of its share capital to industrial partners.

Tbe report, by Mr Marcel Roulet, France Télécom's chairman, is due to be presented to Mr Gérard Longuet, the industry, telecommunications and foreign trade minister, by the end of the week.

France Télécom declined to comment on datails of tba report, but it is thought to support a government proposal to transform the operator into a joint stock company, with its own capital, from its existing status as an "autonomous operator under public law".

The change would allow France Télécom to exchange eqnity stakes with industrial partners and enable the French government to reduce its holding in the operator.

The state, however, would be expected to retain majority control.

Mr Longuet proposed last year thst France Télécom's legal status be reformed, partly to allow it to forge strategic alliances with other telecoms companies and to prepare for the liberalisation of the European telecoms market, which is due in 1998.

Resistance to the moves by employees at France Télécom – who feared the reform would lead to privatisation, job cuts and the end of their semi-civil servant status – prompted the postponement of the reform.

Mr Roulet has since conducted company-wide discussions to reassure the operator's 154,000 staff.

Opening France Télécom's capital would allow the operator to cement its industrial alliance with Deutsche Telekom. The alliance, which focuses on services for large multinational business clients, was extended earlier this year through a separate link with Sprint of the US.

The report also discusses the group's financial strategy. France Télécom is pursuing a policy of debt reduction in an attempt to esse financial charges and to free resources for expansion.

At the end of last year, total group borrowings were reduced to FFr105.6bn ($19.4bn), compared with FFr111.6bn at the end of 1992.

Lazard joins B K Birla for Indian trust fund

By Shiraz Sidhva in Bombay

Lazard Brothers has signed an agreement with the B.K. Birla gronp, a leading industrial business bouse, and Creditcapital Finance Corporation, Lazard's Indian partners, to establish an overseas investment trust fund.

The Lazard Birla India Fund will raise money overseas for investments to be made in Indian equities. "The alliance between our group and Lazard Brothers brings together for the first time, a large Indian industrial house and an international investment banking group," said Mr B.K. Birla, bead of Birla International.

"The strategic association between the B.K. Birla group and Lazard in the area of asset management in Indian equities brings together the skills of the Birla group and the Lazard-Creditcapital group in fund management," said Mr Udayan Bose, chairman of the Creditcapital Investment Banking Group and a director of Lazard.

Creditcapital Finance, India's first international merchant bank, was set up by Mr Bose in 1985, in a joint venture with Lazard. The Lazard houses own 40 per cent of Creditcapital Finance, the flagship of the Creditcapital Investment Banking Group.

Thais shell out for shrimp venture

Steven Chia hopes to supply chitin products, writes Victor Mallet

Mr Steven Chia is euphoric about his latest shrimp venture. "Chitin," he said at his office in Bangkok, "looks like a miracle product".

Extracted from the shells of shrimps and crabs, chitin is a cellulose-like substance with diverse applications; its derivatives can be made into surgical stitching thread that dissolves harmlessly in the flesh, or used to separate beavy metals in water treatment plants, or sprayed on to fruit to prevent moisture loss.

The potential worldwide demand for chitin products is estimated at more than $1bn a year, but supply has been limited by difficulties in extracting materials of the right quality and in sufficient quantities.

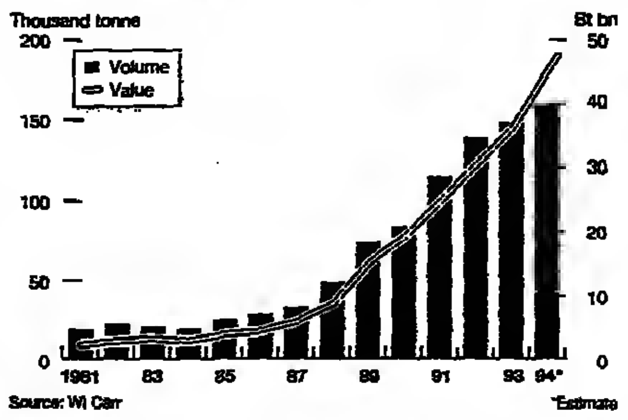
Mr Chia, managing director of Seafresb Industry (Thailand), one of the main Thai shrimp exporters listed on the Thai stock exchange, sees this unsatisfied demand as a chance to make money.

Seafresb, with plenty of shrimp shells st its disposal, has established a $1m joint venture with Kitosan Laboratories of Malaysia to produce about 100 tonnes of chitin a year; a typical price is $50 per kg (although some grades command mnch higher premiums) and in the first year alone Mr Chia is counting on net profits of $2m from the venture.

Whether it turns out to be miraculous or not, the Seafresh chitin investment underlines tbe determination of Thai shrimp processing companies to add value to their output as exports continue to grow.

This year Thai frozen shrimp exports are expected to rise by 10 per cent to some 160,000 tonnes, valued at about $2bn. Shrimp is one of Thailand's biggest exports after textiles and computer parts. Japan and the US are the main buyers.

Thai frozen shrimp exports



Thailand, the world's biggest shrimp exporter, has seen dollar prices boosted by the strength of the yen and by a fall in Chinese production after outbreaks of disease in Chinese shrimp farms.

Thai seafood companies and their shareholders are reaping the rewards. "Foreign institutional investors tend to be a bit dubious about agribusiness stocks because they are prone to cycles and earnings in the past have been disappointing," said one Bangkok-based stockbroker. "It's only since late last year that we've seen s pick-up in sales and that's now feeding through into margins."

But the volatility of shrimp prices still preoccupies Thai exporters, especially wben they face possible competition from new aquaculture ventures in countries such as India and Vietnam.

Hence the urge to process the shrimp in Thailand: the prices of downstream prodncts for the retail market are not only higher but more stable than those of basic frozen shrimp, and Thailand believes its skilled labour for processing gives it a competitive advantage over new entrants to the market.

Methods of adding valne range from boiling the shrimp to producing frozen sushi for Jspan. Seafresh, for example, sdds valne to more than half its output, producing breaded shrimp for tempura and making spring rolls; recently it began selling shrimp fried rice to South Korea.

Charoen Pokphand Feedmill, part of the multinational CP group, makes most of its money from shrimpfeed, but also has a subsidiary exporting fried shrimps in batter and skewered shrimps in barbecue sauce.

Surapon Seafoods, another seafood exporter, is switching some of its production from unprocessed frozen shrimp to pre-cooked meals – including meat and vegetables – for Japanese convenience stores. Other companies are following the same road.

The most likely obstacle to tbe Thai shrimp industry's continued expansion is the carrying capacity of the country's environment. Sbrimp farms are notoriously destructive – they usually replace the mangrove swamps where fish breed – and prone to disease. They tend to be poisoned by their own effluent and fail after a few years, as happened in Taiwan.

"A cynic would say it's getting near the end of the road for Thailand as far as the shrimp industry goes," said s stockbroker, who asked not to be named. "They need new territory, long coastlines, clean water and preferably places that are poor where they don't have very strong environmental rules."

The CP group has already announced plans to invest an additional $100m in the shrimp and shrimpfeed business in India, and is also looking st the possibility of investing in other countries such as Bangladesh and Vietnam.

For the time being, however, the industry in Thailand is managing to stave off disease and devise ever more sophisticated ways of packaging and marketing its shrimp products.

Seafresh's project to make chitin and chitosan – chitin's main derivative – is just the latest example of how Thai companies are making the most of their shrimp.

Mr Chia says the new plant, to be operational in six months, will be sble to produce a range of grades demanded by buyers for everything from cosmetics to loud speaker diaphragms (another application). "We can tailor-make the product the buyers need," be says.

Coal & Allied feels effects of lower prices

By Nikki Tait in Sydney

Coal & Allied Industries, which is majority-owned by CRA, the Australian mining group, yesterday reported an 86 per cent fall in after-tax profits to A$5.9m ($4.4m) in the six months to end-June. This compared with A$40.7m in tbe same period a year previously.

Operating profit after tax, but before abnormals, stood at A$14.3m, compared with A$37.3m, while abnormals amounted to a A$8.4m loss, resulting from the restructuring of the open-cut mines. In the previous year, there was an abnormal gain of A$3.4m.

The company said total production in tbe six-montb period was 5.1m tonnes, down from 5.7m tonnes a year earlier, although part of the reduction was due to the sale of certain operations. Reduced coal contract prices and the stronger Australian dollar meant that sales for the half-year fell from A$334.5m to A$283.4m.

Coal & Allied said the still-lower coal prices negotiated with leading Japanese buyers earlier this year and the stronger currency would mean that profits remained under pressure in the short-term. However, "increased demand coupled with low stockpiles is expected to increase prices in the next 12 months", it said.

The dividend was cut to 25 cents a share from 44 cents.

NEWS DIGEST

Profits at Taiwan Cement fall by 29%

Taiwan Cement saw first-half pre-tax profits drop 29 per cent to NT$1.77bn (US$66m) compared with a year ago, due to a continued slump in the construction industry and a sharp fall in non-operating income, writes Laura Tyson in Taipei. Sales in the year to June 30 were down 5.8 per cent to NT$9.17bn from the same period in 1993.

Analysts attributed the decline to increased cement imports and slack demand, partly due to delays in public infrastructure construction projects. A supply glut in the domestic market has pushed unit prices down.

After the shutdown next month of a large Kaohsiung plant for environmental reasons, Taiwan Cement will fall to second place behind Asia Cement in terms of production capacity, analysts said.

Gencor plans announcement

Gencor, the South African mining house which is bidding for parts of the metal and mining business of Royal Dutch/Shell's Billiton group, said it would make an announcement today on future prospects, Reuter reports from Johannesburg. Confirmation that it would release the outcome of the bid could not be obtained, but analysts said the subject of the announcement, to take the form of s presentation, would likely be Billiton.

Analysts expect a deal, central to Gencor's foreign expansion ambitions, to cost it at least $1bn. The presentation is scheduled for this afternoon.

Kalamazoo chief to sell shares

Kalamazoo Holdings' chairman and biggest shareholder, Mr Fred Street, said he planned to sell his 40.2 per cent stake in the Australian office supplies group to Avatar Industries, a Perth-based investment group, which has bid A$2.05 a share for the company, Reuter reports from Sydney.

Although Kalamazoo directors described Avatar's A$103m (US$79m) bid as neither fair nor reasonable, Mr Street said he intended to accept the offer in the interests of his family and related parties.

On the Australian stock exchange yesterday, Kalamazoo shares closed st A$2.10, down 10 cents, and Avatar's were unchanged at A$1.14.

Kalamazoo, which said its adviser, Coopers & Lybrand (Securities), valued its shares at between A$2.43 and A$2.66 each, was sdvising shareboIders not to accept the offer.

Mitsui expands into Indonesia

Mitsui OSK Lines, s leading Japanese shipping company, is to create a subsidiary in Jakarta, Indonesia, to conduct marine transportation business, AP-DJ reports from Tokyo. The new company, PT OSK Lines Indonesia, will be 60 per cent owned by Mitsui OSK, with Mitsui's existing agent Gesuri Lloyd PT owning the remainder.

Concrete venture for Vermiculite

Ssangyong Cement said its wholly-owned subsidiary, Vermiculite Industries, had signed a joint venture to manufacture and market lightweight concrete products, AP-DJ reports from Singapore. The joint-venture company, Aeracon Technologies, will be 70 per cent held by VIS and 30 per cent by its partner, Aeracon Manufacturing.

Under the agreement, VIS will pay S$350,000 (US$230,000) for its additional 349,999 new shares in Aeracon Technologies. AM, meanwhile, will subscribe for another 149,999 new shares in the joint-venture company.

VIS's investment will be financed using internal casb resources, the cement maker said.

INTERNATIONAL CAPITAL MARKETS

Longer-dated US Treasuries gain ground

By Frank McGurty in New York and Conner Middelmann in London

Longer-dated US Treasury bonds gained ground in thin trading yesterday morning, although most traders were staying on the sidelines ahead of this week's supply auctions.

By midday, the benchmark 30-year government bond was ¼ better at $84\frac{15}{32}$, with the yield slipping to 7.534 per cent. At the short end, the two-year note was unchanged at $99\frac{27}{32}$, to yield 6.101 per cent.

The lack of movement on prices for shorter-dated paper reflected the approach of the Treasury's sale of $17.25bn in two-year notes this afternoon, followed by $11bn in five-year securities tomorrow.

The auctions come at a time of renewed uncertainty over the timing of the Federal Reserve's next move to lift short-term interest rates.

Yesterday's economic news was not compelling enough to dispel the listless mood. The National Association of Realtors said sales of existing single-family homes fell 3.6 per cent last month, a weaker reading than economists had forecast. The data added to recent evidence that the housing sector had begun to cool.

■ European bonds ended a trendless session firmer, supported partly by the stronger tone in US Treasuries. But volume continued to decline and investor activity dried to a trickle.

■ UK gilts ended the day slightly firmer and are expected to track neighbouring markets until tomorrow's auction of 6.25 per cent gilts due 2010.

Mr Andrew Roberts, gilts analyst at UBS, expects the auction to go well for several

GOVERNMENT BONDS

reasons. For one, he cites core demand for long-dated paper by UK investors. Moreover, although the Bank of England will auction a nominal £2bn of gilts, he points out that only £1.6bn in market terms is being issued as the paper trades at a deep discount to its nominal valna; in late trading, tha bonds were quoted at $82\frac{25}{32}$.

Furthermore, Mr Roberts argues, "the new paper will be perfectly placed to become a new 15-year benchmark." Since the 8 per cent gilt due 2009 will drop out of the over 15-year bond index in September, the new bond will be left as the shortest bond in the index.

■ French bonds put on a strong performance, rising by nearly a point in largely technical, futures-led trading.

Traders said a large buy order of the September notional bond future on Matif, executed by a leading futures broker in Paris, and US buying pushed prices through key technical resistance.

The contract rose by 0.86 points on the day to 117.62. The 10-year yield spread over bunds narrowed by about 7 basis points to 41 basis points.

■ Buoyant French bonds supported German bunds, which ended the day abont half a point higher. Trading was technical and the market largely shrugged off regional inflation data and news that the Treuhandanstalt privatisation agency plans to issue more bonds this year than forecast.

The September bund future on Liffe rose 0.47 point to 94.03.

■ Italian market sentiment was shaken by renewed political concerns, but prices were pulled higher by neighbouring markets and late short-covering in the futures markets. The Italian BTP future on Liffe rose by around 0.51 points to 104.03.

US metals group in silver-linked share issue

By Conner Middelmann

Freeport-McMoRan has raised $100m through a silver-linked depositary share offering totalling 4.75m units.

The shares were priced last Friday at $21.01, roughly four times the London fixing price for one ounce of silver. That day, the London price was $5.2525 per ounce. Dividends on the silver-denominated preferred shares, payable quarterly, have been set at 4.125 per cent per depositary share.

The shares, which have a 12-year maturity, are listed on the New York Stock Exchange.

Freeport, a US-based metals and diversified company, has previously issned two gold-linked depositary shares, but this was the first silver-linked deal ever launched.

According to a syndicate official at lead manager Lehman Brothers, the issue was oversubscribed, boosted by expectations of rising silver prices.

"The deal was driven primarily by dedicated natural resources and commodity funds, but also met with good interest from retail investors," said Mr Hank Erbe, syndicate manager at Lehman Brothers, adding that some 75 per cent of the deal was bought by US-based investors.

"The structure combines the attractiveness of silver with the liquidity of a New York Stock Exchange listing," said Mr Erbe. "In addition, the shares carry a very competitiva dividend yield."

Although the price of silver has recently been in decline, commodities analysts expect it to rebound towards $6 per ounce in coming months. At its beight in the 1980s it traded at around $50.

CBoT may form link with Sydney

By Laurie Morse in Chicago

The Chicago Board of Trade and the Sydney Futures Exchange are studying the technical feasibility of joining their after-hours trading systems. The move could be the first step towards a new global futures alliance.

The announcement comes a week after the CBoT and the London International Financial Futures and Options Exchange agreed to a similar study to find an alternative to Globex, the electronic trading system developed by Reuters.

By linking with the Australian exchange, the CBoT would gain a clear foothold for its after hours system – known as Project A – in the Asian time zone. Any link would be at least a 12 months in development, the exchanges said.

The after-hours trading strength of the Sydney Futures Exchange lies in its government bond futures and options contract. Globex, which currently consists of an alliance between the Chicago Mercantile Exchange (CME), the Matif of France and the DTB of Germany, specialises chiefly in short-term interest rate and foreign currency contracts.

The CME has a mutual offset link with Singapore International Monetary Exchange, but Globex itself lacks an exchange partner in the Asian region.

The Sydney-Chicago exploratory study is widely seen as another indication that the concept of linking existing proprietary trading systems is more appealing than the co-management of a single system, which is the way Globex is structured.

Under the broad outlines of the CBoT-Liffe plan, the CBoT would retain its existing trading technology as well as control of trading and clearing functions for its own contracts.

The growing number of strategic alliances between futures exchanges has raised the stakes for futures exchanges around the world. However, both Liffe and the CBoT have a number of failed trading agreements behind them.

Austria sells remaining 26% stake in chip maker

By Antonia Sharpe

Austria Mikro Systeme International (AMS), a specialised computer chip manufacturer, has become the first company in Austria to be completely privatised following the sale of the state's remaining 26 per cent holding.

According to Kleinwort Benson, which acted as international agent, Austria raised $25.2m through the private placement of 450,000 AMS shares at Sch608 each to domestic and international institutional investors. It also sold 75,000 shares to employees and 125,000 shares to a private, foreign investor for an undisclosed sum.

Kleinwort Benson said the institutional tranche was over three times subscribed and the bulk went to international investors. A portion of the shares was placed in the US under Rule 144a. Yesterday AMS shares closed at Sch640 in Vienna, up Sch10 from Friday.

The initial public offering for AMS was completed one year ago when 74 per cent of its equity was sold to international and domestic investors. It was the first sale of a majority shareholding by Austria.

Dutch bank launches benchmark DM deal

By Graham Bowley and Antonia Sharpe

BNG, the Dutch municipal finance bank, yesterday pushed on with its strategy of establishing benchmark issues in non-guilder currencies with the launch of a DM750m offering of five-year eurobonds.

Last week, the bank launched a $1bn five-year eurobond offering, its first bench-

INTERNATIONAL BONDS

mark since it was awarded triple-A debt ratings one month ago. Joint lead manager Goldman Sachs said this policy was the best way of appealing to a wide variety of investors.

However, syndicate managers said that, in spite of the attractive spread of 27 basis points over five-year German government bonds and the bank's strong following with European retail investors, the deal was too large given current demand. They added that institutional investors were unwilling to buy D-Mark bonds ahead of tomorrow's auction of five-year bonds by Treuhand, tha German privatisation agency.

Sears, Roebuck, the US retailing and insurance group, is planning to launch a global, asset-backed issue of around $1bn in the next month. The securitised offering will be backed by the company's credit card receivables, worth $20.4bn.

CS First Boston has been mandated to lead-manage the triple-A rated issue, which could be the first in a series. The company is planning to file a shelf with the Securities and Exchange Commission (SEC) which could cover several years of issuance.

Fixed-rate funding currently accounts for 86 per cent of the company's borrowing. "In the next year or so this will be closer to 75 per cent," said Ms Alice Peterson, company treasurer. This would be a comfortable mix given the current capital market environment.

Bayerische Landesbank launched a Y30bn three-year bond issue yesterday amid rumours that the European Investment Bank may tap the euroyen market soon.

Syndicate managers expect a Y50bn to Y100bn three-year issue from the EIB, to come either today or after this week's auction of 10-year Japanese government bonds.

● Moody's has downgraded the long and short-term ratings of Crédit Lyonnais, the troubled French bank, to A3 and P2 respectively from A1 and P1. Both ratings hava been on review for possible downgrade since February. Around $13bn of long-term debt is affected.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
BNL, London Branch(a)‡	200	(a1)	99.72R	Aug.1999	0.10R	-	Swiss Bank Corp.
CIC(b)‡	100	(b1)	100.00R	Aug.2001	0.25R	-	Sanwa International
YEN							
Bayerische Landesbank★	30bn	3.30	100.125R	Aug.1997	0.1875R	-	Daiwa Europe
Kawasaki Heavy Inds.(c)§	20bn	(½-¾)#	100.00	Sep.1999	2.50	-	Nomura International
SAFA(d)	18bn	3.15	100.15R	Feb.1997	0.15R	-	Nomura International
D-MARKS							
BNG	750	6.50	99.875R	Aug.1999	0.25R	+27 (6¾%-99)	SBC Frankfurt
CANADIAN DOLLARS							
Canadian Global Funding Corp.	150	10.00	99.20R	Aug.2004	0.375R	+70 (6¼%-04)	Hambros Bank
ITALIAN LIRE							
San Paolo, Nassau Branch(e)	100bn	10.40	97.50	Jun.2004	undisd.	-	San Paolo, Turin
AUSTRALIAN DOLLARS							
ABN Amro Australia	75	9.50	101.65	Sep.1999	2.00	-	ABN Amro Bank
SWISS FRANCS							
Toyota Motor Credit Corp.★★	100	5.125	101.90	Aug.1998	-	-	Merrill Lynch Capl.Mkts.
SBC Finance Cayman Is.(f)	100	5.375	102.75	Jul.1998	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★★Private placement. ★Unlisted. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on coupon dates from Aug.97 at par. a1) 3-mth Libor +30bp. b) Callable and puttable in Aug.99 at par. b1) 3-mth Libor +⅛%. c) Fixing: 2/8/94. Indicated conv prem: 2½%. Callable from 1/4/95 subject to 130% rule. d) Short 1st coupon. e) Fungible with L600bn. Plus 42 days accrued. Issuer may convert on 30/6/99 into FRN paying 6-mth Libor +50bp. f) Fungible with SFr100m. Plus 47 days accrued.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.2100	-0.310	9.59	9.33	9.96
Belgium		7.250	04/04	85.8400	+0.020	7.87	7.81	7.97
Canada *		6.500	06/04	82.7000	-0.300	9.21	9.00	9.50
Denmark		7.000	12/04	93.7200	+0.420	7.90	8.12	8.21
France	BTAN	8.000	05/98	104.6250	-	6.57	6.58	6.71
	OAT	5.500	04/04	88.4600	+0.820	7.18	7.25	7.37
Germany Bund		6.750	05/04	100.0000	+0.640	6.74	6.84	7.12
Italy		8.500	01/04	89.0000	+1.000	10.35†	10.50	10.57
Japan	No 119	4.800	06/99	104.7420	+0.040	3.66	3.63	3.57
		4.100	12/03	98.4630	+0.080	4.38	4.40	4.24
Netherlands		5.750	01/04	92.5000	+0.240	6.85	6.78	7.10
Spain		8.000	05/04	-	-	-	10.37	10.69
UK Gilts		6.000	08/99	92-03	-2/32	7.94	7.79	8.18
		8.750	11/04	99-25	+10/32	8.23	8.13	8.42
		9.000	10/08	105-13	+13/32	8.34	8.26	8.47
US Treasury *		7.250	05/04	99-30	+5/32	7.26	7.22	7.25
		6.250	08/23	84-30	+11/32	7.53	7.53	7.54
ECU (French Govt)		6.000	04/04	88.1100	+1.020	7.62	7.73	7.98

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	7¼	One month	4.25	Two year	6.12
Broker loan rate	5½	Two month	4.29	Three year	6.45
Fed.funds	4⅛	Three month	4.49	Five year	6.82
Fed.funds at intervention	-	Six month	4.97	10-year	7.27
		One year	5.56	30-year	7.55

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.52	117.62	+0.86	117.78	116.34	136,482	117,945
Dec	115.68	116.78	+0.86	116.14	115.58	737	14,116
Mar	114.98	116.08	+0.86	114.98	114.94	52	2,583

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
115	-	-	-	0.03	0.53	-
116	1.63	2.37	-	0.04	0.77	-
117	0.88	1.64	1.60	0.19	1.04	2.50
118	0.28	1.07	-	-	1.44	-
119	0.04	0.58	0.82	-	2.00	-

Est. vol. total, Calls 23,265 Puts 33,538. Previous day's open int., Calls 377,048 Puts 369,380.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.54	93.94	+0.38	94.05	93.20	110319	164774
Dec	92.66	93.30	+0.41	93.20	92.66	523	13651

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9350	1.12	1.10	1.38	1.49	0.68	1.30	1.58	1.69
9400	0.82	0.85	1.18	1.25	0.88	1.58	1.86	1.95
9450	0.58	0.64	0.94	1.03	1.14	1.84	2.14	2.23

Est. vol. total, Calls 7836 Puts 6605. Previous day's open int., Calls 257877 Puts 258072

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	98.58	0.08	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.80	103.98	+0.46	104.05	102.70	32512	75541
Dec	102.80	102.86	+0.46	102.80	102.80	28	118

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10350	1.86	2.76	1.38	3.38
10400	1.58	2.54	1.60	3.66
10450	1.33	2.33	1.86	3.95

Est. vol. total, Calls 712 Puts 1001. Previous day's open int., Calls 37083 Puts 32136

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) Jul 22

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.82	90.75	+0.01	91.05	90.65	19,400	103,164
Dec	-	90.00	-	-	-	211	594

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102-18	103-10	+0-13	103-20	102-08	42182	113005
Dec	-	102-16	+0-12	-	-	0	1406

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
103	1-36	2-48	1-16	3-16
104	1-04	2-20	1-48	3-52
105	0-43	1-60	2-23	4-28

Est. vol. total, Calls 2504 Puts 2821. Previous day's open int., Calls 67726 Puts 52955

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	84.46	85.50	+0.80	85.50	84.42	1,989	7,217
Dec	-	85.06	+0.80	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-21	102-26	+0-04	102-26	102-14	224,483	371,872
Dec	101-22	102-00	+0-03	102-00	101-22	1,800	60,127
Mar	-	101-06	-0-01	-	-	5	4,265

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	109.61	-	-	109.63	109.50	864	0
Dec	108.59	-	-	108.59	108.59	10	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jul 25	Day's change %	Fri Jul 22	Accrued interest	xd adj. ytd		Low coupon yield Jul 25	Jul 22	Yr. ago	Medium coupon yield Jul 25	Jul 22	Yr. ago	High coupon yield Jul 25	Jul 22	Yr. ago
1 Up to 5 years (24)	121.93	-0.09	122.04	1.91	6.40	5 yrs	8.01	7.98	6.81	8.22	8.19	7.00	8.28	8.25	7.20
2 5-15 years (22)	142.09	+0.11	141.94	1.89	7.56	15 yrs	8.26	8.27	7.78	8.36	8.38	7.86	8.69	8.67	8.12
3 Over 15 years (9)	158.20	+0.15	157.96	1.23	8.11	20 yrs	8.26	8.24	7.89	8.36	8.38	7.95	8.60	8.53	8.14
4 Irredeemables (6)	180.43	-1.26	182.73	2.20	7.98	Irred.†	8.39	8.27	8.02						
5 All stocks (61)	139.22	+0.04	139.18	1.81	7.30										

Index-linked							Inflation 5% Jul 25	Jul 22	Yr. ago	Inflation 10% Jul 25	Jul 22	Yr. ago
6 Up to 5 years (2)	187.25	-0.02	187.29	1.56	2.53	Up to 5 yrs	3.66	3.64	2.86	2.58	2.56	2.06
7 Over 5 years (11)	172.23	+0.06	172.13	0.51	3.25	Over 5 yrs	3.86	3.86	3.45	3.66	3.67	3.26
8 All stocks (13)	172.90	+0.05	172.82	0.61	3.18							

Debentures and Loans						5 year yield Jul 25	Jul 22	Yr. ago	15 year yield Jul 25	Jul 22	Yr. ago	25 year yield Jul 25	Jul 22	Yr. ago
9 Debs & Loans (76)	130.80	-0.15	131.03	2.92	5.87	9.39	9.37	8.48	9.36	9.34	8.81	9.33	9.30	8.96

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	July 25	July 22	July 21	July 20	July 19	Yr ago	High*	Low*
Govt. Secs. (UK)	93.17	93.43	93.45	93.71	93.89	96.18	107.04	90.99
Fixed interest	111.54	111.78	111.75	112.07	112.31	117.20	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	July 22	July 21	July 20	July 19	July 18
Gilt Edged bargains	90.9	114.5	132.1	128.3	125.5
5-day average	118.3	127.8	125.4	127.6	121.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 25

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 98	1000	91⅜	91⅝		7.89
Alberta Province 7⅞ 98	1000	101¼	101½		7.26
Austria 8½ 00	400	105	105¼		7.35
Bank of Tokyo 8⅜ 96	100	102½	103⅛		6.72
Belgium 6½ 00	1000	84⅞	85⅛	-⅛	7.85
BFCE 7¼ 97	150	102⅛	102⅝		6.81
British Gas 0 21	1500	10⅝	11		8.57
Canada 9 96	1000	103⅞	104⅛		6.32
Cheung Kong Fin 5½ 98	500	90⅛	90¾	-⅛	8.30
China 6½ 01	1000	87¼	87⅞		8.65
Council Europe 8 98	100	102⅝	103⅛		6.57
Credit Foncier 9½ 99	300	108¼	108⅝	-⅛	7.29
Denmark 5¾ 98	1000	96⅝	96⅞		6.23
East Japan Railway 6⅝ 04	600	91⅜	91⅞	-⅛	7.93
ECSC 8¼ 98	193	103¼	103¾		6.88
EEC 8¼ 99	100	100	103½		6.51
EIB 7¼ 06	250	102¼	102¾	-⅛	6.48
EIB 9¼ 97	1000	106¾	107¼	-⅛	6.86
Elec de France 9 98	200	105⅝	106⅛	-⅛	7.16
Eurofima 9¼ 98	100	104⅛	104⅝	-⅛	6.46
Ex-Im Bank Japan 8 02	500	102	102¼	-⅛	7.64
Export Dev Corp 9½ 98	150	107⅝	108	-⅛	7.22
Federal Natl Mort 7.40 01	1500	98⅞	99¼	-⅛	7.71
Finland 6¾ 97	3000	99½	99¾		7.04
Finnish Export 9⅜ 05	200	103⅝	104		6.23
Ford Motor Credit 6¼ 08	1500	97	97⅜	-⅛	7.34
Gen Elec Capital 9⅜ 98	300	104¾	105⅛	-⅛	6.57
GMAC 9⅛ 96	200	103¼	103⅝	-⅛	6.91
Ind Bk Japan Fin 7⅞ 97	200	101⅝	102⅜		7.18
Inter Amer Dev 7⅞ 96	200	102	102⅝	-⅛	6.57
Italy 6⅞ 23	3500	82	82⅜		8.74
Japan Dev Bk 8⅜ 01	500	104⅛	104½	-⅛	7.54
Kansai Elec Pwr 10 98	350	105¼	105⅝	-⅛	6.55
Korea Elec Power 6⅜ 98	1350	96⅛	96¾	+⅛	6.74
LTCB Fin 8 97	200	101⅞	102⅜		7.17
Matsushita Elec 7¼ 02	1000	97	97⅝	-⅛	7.91
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	102⅞	103	+⅛	6.11
Volkswagen Intl Fin 7 03	1000	96⅝	[illegible]		7.21
World Bank 0 15	2000	23	23½	+⅛	7.11
World Bank 5⅞ 03	3000	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 6¾ 00	1250	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	[illegible]	[illegible]	[illegible]	[illegible]
Austria 4½ 00	1000	[illegible]	[illegible]	[illegible]	[illegible]
Council Europe 4¾ 98	250	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 4¼ 99	1000	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6¾ 04	300	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 7¼ 06	100	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7¼ 99	300	[illegible]	[illegible]	[illegible]	[illegible]
Hyundai Motor Fin 8½ 97	100	[illegible]	[illegible]	[illegible]	[illegible]
Iceland 7⅞ 00	100	[illegible]	[illegible]	[illegible]	[illegible]
Kobe 6⅜ 01	240	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 6¼ 98	400	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 5 08	100	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 7 04	450	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 5 03	150	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 01	600	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
Belgium 5 99	75000	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6⅝ 00	100000	[illegible]	[illegible]	[illegible]	[illegible]
Finland 6¾ 96	50000	[illegible]	[illegible]	[illegible]	[illegible]
Inter Amer Dev 7¼ 00	50000	[illegible]	[illegible]	[illegible]	[illegible]
Italy 3½ 01	300000	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev Bk 5 99	100000	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev Bk 6½ 01	120000	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 5⅞ 96	50000	[illegible]	[illegible]	[illegible]	[illegible]
Norway 5⅛ 97	150000	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 6¾ 00	30000	[illegible]	[illegible]	[illegible]	[illegible]
Spain 5¾ 02	125000	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 4⅝ 98	150000	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 5¼ 02	250000	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 98 £	1000	93⅞	94¼	+⅛	8.03
Alliance Leics 11⅛ 97 £	100	108¾	108⅞	-⅛	7.93
British Land 8⅞ 23 £	150	90	90½	+¼	10.17
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Exch 12¼pc 1994		12.42	4.91	100⅝xd	—	104[illegible]	100[illegible]
Treas 9pc 1994‡‡		8.90	5.23	101⅛	-[illegible]	103[illegible]	101⅛
12pc 1995		11.62	5.18	103[illegible]	—	107[illegible]	103[illegible]
Exch 3pc Gas 90-95		3.05	5.19	98¼	—	98[illegible]	97¼
10¼pc 1995		9.83	5.72	104[illegible]	—	107[illegible]	104[illegible]
Treas 12¾pc 1995‡‡		11.78	6.10	108[illegible]	—	113⅝	108[illegible]
14pc 1996		12.86	6.00	118⅝	[illegible]	117[illegible]	110[illegible]
15¼pc 1996‡‡		13.38	6.68	114	[illegible]	121[illegible]	113[illegible]
Exch 13¼pc 1996‡‡		11.95	6.70	110⅞	[illegible]	117[illegible]	110⅝
Conversion 10pc 1996		9.43	7.07	106[illegible]	[illegible]	112[illegible]	105[illegible]
Treas Cnv 7pc 1997‡‡		7.01	7.03	99[illegible]xd	[illegible]	109⅝	98[illegible]
Treas 13¼pc 1997‡‡		11.68	7.24	113[illegible]	[illegible]	121[illegible]	112⅞
Exch 10½pc 1997		9.79	7.33	107¼xd	[illegible]	114[illegible]	106[illegible]
Treas 8¾pc 1997‡‡		8.48	7.59	103[illegible]	[illegible]	110[illegible]	101[illegible]
Exch 15pc 1997		12.44	7.70	120[illegible]	[illegible]	131[illegible]	118[illegible]
9¾pc 1998		9.23	7.82	105[illegible]	[illegible]	114[illegible]	104[illegible]
Treas 7¼pc 1998‡‡		7.38	7.78	98¼	[illegible]	106[illegible]	96⅝
Treas 6¾pc 1995-98‡‡		7.01	7.87	96[illegible]	[illegible]	102	94[illegible]
14pc '98-1		11.75	8.06	119⅛	[illegible]	131[illegible]	117⅞
Treas 15½pc '98‡‡		12.25	7.98	126[illegible]	[illegible]	140[illegible]	124[illegible]
Exch 12pc 1998		10.52	8.04	114[illegible]	[illegible]	125[illegible]	112[illegible]
Treas 9½pc 1999‡‡		9.02	8.03	105[illegible]	[illegible]	116[illegible]	103[illegible]
Five to Fifteen Years							
Exch 12¼pc 1999		10.60	8.18	115[illegible]	[illegible]	128[illegible]	113⅞
Treas 10½pc 1999		9.62	8.14	109⅛	[illegible]	121[illegible]	106⅞
Treas 6pc 1999‡‡		6.52	7.93	92[illegible]xd	[illegible]	101[illegible]	89[illegible]
Conversion 10¼pc 1999		9.46	8.23	108[illegible]	[illegible]	121[illegible]	105⅞
Treas Flg Rate '99		-	-	99[illegible]	—	100[illegible]	99[illegible]
9pc 2000‡‡		8.71	8.22	103[illegible]	[illegible]	116[illegible]	101⅛
Treas 13pc 2000		10.72	8.38	121[illegible]	[illegible]	136[illegible]	118[illegible]
10pc 2001		9.28	8.41	107[illegible]xd	—	122[illegible]	101[illegible]
7pc '01‡‡		7.50	8.21	93[illegible]	—	106[illegible]	90[illegible]
7pc '01 A		7.51	8.24	93[illegible]	—	101[illegible]	89[illegible]
9¾pc 2002		9.07	8.44	107[illegible]xd	[illegible]	123[illegible]	103⅞
8pc 2003‡‡		8.16	8.33	97[illegible]	[illegible]	113[illegible]	94[illegible]
10pc 2003		9.13	8.44	109[illegible]	[illegible]	127[illegible]	105[illegible]
Treas 11½pc 2001-4		10.08	8.71	114[illegible]	—	129[illegible]	110⅞
Funding 3½pc '99-4		4.71	7.14	74[illegible]	[illegible]	86[illegible]	71[illegible]
Conversion 9½pc 2004		8.84	8.38	107[illegible]	[illegible]	125[illegible]	108
Treas 6¾pc 2004‡‡		7.52	8.22	89[illegible]	[illegible]	105⅛	85[illegible]
Conv 9½pc 2005		8.81	8.38	107[illegible]	[illegible]	125½	103⅛
Treas 12½pc 2003-5		10.10	8.70	123[illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2006‡‡		8.12	8.32	95[illegible]	[illegible]	[illegible]	[illegible]
8pc 2002-6‡‡		8.28	8.42	96[illegible]	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7		9.98	8.71	117[illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2007‡‡		8.41	8.34	101[illegible]	[illegible]	[illegible]	[illegible]
13½pc '04-8		10.33	8.71	130[illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 2008‡‡		8.55	8.33	105[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years							
Treas 8pc 2009		8.25	8.33	96[illegible]	[illegible]	[illegible]	[illegible]
Treas 6¼pc 2010		7.59	8.21	82[illegible]	[illegible]	[illegible]	[illegible]
Conv 9pc Ln 2011‡‡		8.48	8.31	106[illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 2012‡‡		8.46	8.29	106[illegible]xd	[illegible]	[illegible]	[illegible]
Treas 5½pc 2008-12‡‡		7.28	8.03	75[illegible]	[illegible]	[illegible]	[illegible]
Treas 8pc 2013‡‡		8.23	8.26	97[illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2012-15‡‡		8.10	8.23	95xd	[illegible]	[illegible]	[illegible]
Treas 8¾pc 2017‡‡		8.33	8.23	105[illegible]xd	[illegible]	[illegible]	[illegible]
Exch 12pc '13-'17		9.09	8.47	132[illegible]	[illegible]	[illegible]	[illegible]
Undated							
Consols 4pc		8.43	-	47[illegible]xd	[illegible]	[illegible]	[illegible]
War Loan 3½pc‡‡		8.35	-	41[illegible]	[illegible]	[illegible]	[illegible]
Conv 3½pc '61 Aft.		6.00	-	58[illegible]	[illegible]	[illegible]	[illegible]
Treas 3pc '66 Aft.		8.53	-	35[illegible]	[illegible]	[illegible]	[illegible]
Consols 2½pc		8.43	-	29[illegible]	[illegible]	[illegible]	[illegible]
Treas. 2½pc		8.50	-	29[illegible]	[illegible]	[illegible]	[illegible]

	Notes	Yield (1)	Yield (2)	Price £	+ or -	1994 High	1994 Low
Index-Linked	(b)						
2pc '96	(67.9)	2.52	3.77	199⅛	—	205⅝	197[illegible]
4⅝pc '98‡‡	(135.6)	2.85	3.44	107[illegible]	[illegible]	113[illegible]	105[illegible]
2½pc '01	(78.3)	3.38	3.69	165	[illegible]	176[illegible]	163[illegible]
2½pc '03	(78.8)	3.49	3.83	160[illegible]	[illegible]	173[illegible]	159[illegible]
4⅜pc '04‡‡	(135.6)	3.48	3.80	109[illegible]	—	118[illegible]	107[illegible]
[illegible]							

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

New York flotation raises $479m for Bell Cablemedia

By Andrew Adonis

Bell Cablemedia, the UK's third largest combined cable television and telephone operator, has raised $479m (£309m) in equity and debt on the New York Stock Exchange.

The public offering of 13.1m American Depositary Shares raised $204m, and an issue of senior notes – 10-year debt – another $275m, in the second and largest cash-raising exercise for UK cable on the New York exchange.

Bell Cablemedia groups the UK cable interests of Bell Canada International, the international arm of Canada's largest telecommunications operator, Cable and Wireless, the UK telecoms group whose subsidiaries include Mercury, the main long-distance competitor to British Telecommunications, and Jones Intercable, one of the largest US cable television operators, with systems in 24 states.

Following the ADS offering BCI owns 42.2 per cent of Bell Cablemedia, C&W 12.8 par cent, and Jones Intercable and affiliates 14.1 per cent.

Bell Cablemedia has outright ownership of 18 UK cable franchises, and in addition a one-third stake in Videotron's UK cable interests. Its largest franchises cover Leeds (282,000 homes) and greater London east (229,000 homes).

Allowing for the equity share in Videotron, its franchises cover 2m homes, which puts it behind Telewest and Nynex, both US groups, in size.

Bell Cablemedia is, however, the largest UK cable company yet to have floated. Telewest and Comcast pulled flotations planned earlier this year in the face of market weakness.

The only flotation to data was of International Cabletel last summer, which raised about $450m in debt and equity in New York to finance new UK cable ventures. Last autumn it established a £200m joint venture with South Wales Electricity to build a cable TV and telephone network covering most of urban south Wales.

When the Bell Cablemedia grouping took shape earlier this year, in advance of the flotation, it said it was likely to float in both London and New York. The company yesterday blamed logistical difficulties and market conditions for the decision not to float in London, but said it hoped to attempt a London flotation within 12 to 18 months.

At least four other cable groups are also hoping for flotations in the next 18 months, but are waiting for a market revival before committing themselves.

Some UK investors are cautious about cable prospects to the face of BT's strenuous campaign to end the government ban on its providing entertainment services, imposed in 1991 as an encouragement to cabla investment.

A House of Commons select committee will report on Wednesday in favour of an easing of the ban, in a move likely to unsettle investor confidence.

Caledonia Invs raises Ivory & Sime stake

By David Wighton

Caledonia Investments, the holding company controlled by the Cayzer family, has increased its stake in Ivory & Sime, the Scottish fund management group, from 15 per cent to 24.9 per cent.

Caledonia bongbt 2.9m shares in Ivory & Sime on Friday at about the market price of 224p.

Most of the shares, which were bought in the market, came from Abtrust, the fund manager that acquired part of Ensign Trust's 16.7 per cent holding last year.

Earlier last week Caledonia increased its stake by 13 per cent after sales by Abtrust and Scottish Value Trust.

Sir David Kinloch, deputy chief executive of Caledonia, would not been drawn on whether the company intended to increase its holding to 29.9 per cent.

"Obviously we have taken the bolding as a long-term investment as we normally do. We hope that by stabilising their shareholder structure we will help them develop."

Caledonia has a long and lucrative record of taking large minority stakes in financial companies.

Caledonia owns investment trust manager Clan Asset Management with funds of about £240m.

The end of an independent life

David Wighton on the £16m sale of Dale Electric to the TT Group

Mr Iain Dale did not try to hide his sadness.

On Friday he and his fellow directors at Dale Electric recommended that shareholders accept an offer that would end the independent life of the company his father founded in 1935.

"Of course I am sad, but there is no place for sentiment in these things."

There will be no place for Mr Dale in TT Group, the acquisitive conglomerate which is offering £16m for the North Yorkshire-based generator manufacturer.

But he believes tbe best way forward for the company is as part of a larger group, partly because of increasing competition in international markets.

"The world we face after the recession will be even more competitive than in the past, and I think we will see other smaller companies facing the realities of the future and deciding they do not have the critical mass."

For a company with only 600 employees and sales of £48m Dale is very widely spread. Based in Filey it sells into more than 100 countries.

Exports account for more than half its turnover and go to operations as far afield as Thailand, Mexico and Nigeria.

"We are right in the forefront of world competition and everything we do has to be the best," says Mr Dale.

"We have to have the lowest production costs and highest quality and thougb we have done very, very well as a group there is a limit to our financial flexibility. That limits the speed with which we can introduce new products and develop new markets."

Dale has been an export-led company almost from the start.

Mr Dale's late father, Leonard, a milkman turned electrician who set up in business with 11/9d in 1935, started making generators after the war.

When an early advertisement in Farmers' Weekly brought an inquiry from an ex-pat in Kenya the export business was born.

After steady growth in the 1960s Dale went public in 1972 and was soon enjoying a boom in exports to the oil-rich Middle East.

Back home, sales of its stand-by generators were boosted by power strikes and its share price surged as profits topped £3m in 1978.

But in the early 1980s the combination of the UK recession, the strong pound and problems in some of its key export markets dealt it a heavy blow from which it has never fully recovered.

Swiss Bank Corporation's Mr Peter Corley, who brought Dale and TT together, argues that Dale spread itself too thinly.

"It has a good range of products but has not had the financial muscle to get the best from them. It did not have the resources to develop markets quickly enough."

In view of its patchy record over the last ten years Mr Dale admits: "Maybe with hindsight it would have been better to sell out ten years ago."

There was an opportunity in 1987 when Dale fought off a bid worth 136p a share from the much smaller Sunleigh. Tha shares reached a high of 147p in 1989 compared with yesterday's close of 72p.

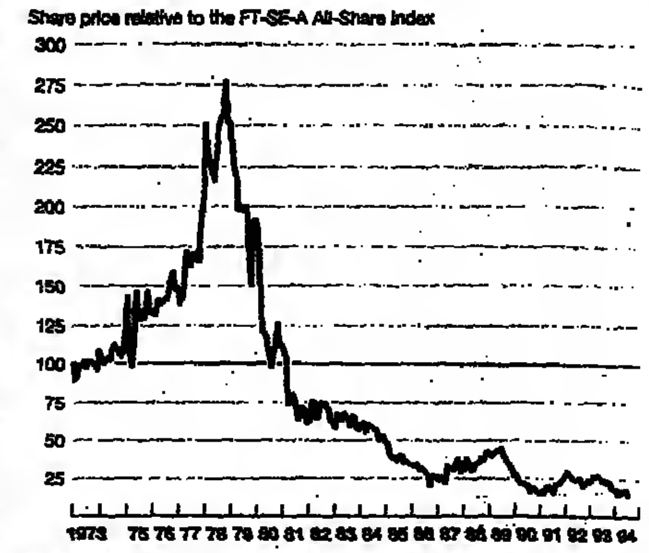
Longer term shareholders have done even worse. Allowing for a one-for-one scrip issue in 1977 the shares were floated at 56p which after 22 years of inflation would be worth more than £4.

But Dale is held in great affection by many in the financial community. Mr Rodney Lambert, a long-time follower at Roy James, the Birmingham stockbrokers, agrees that it might have been better if it had sold before.

But, like many, he finds it hard to criticise. "The TT deal is a good one given current conditions bnt I am sorry to see it go."

Dale Electrical International

Share price relative to the FT-SE-A All-Share Index



Source: Datastream

Ramsden's helped by new outlets

By Caroline Southey

Mr Jack Charlton, manager of the Irish Republic's national football team, will be on hand some time before Christmas to officiate at the opening of Harry Ramsden's in Dublin, the West Yorkshire-based fish and chip restaurant operator's 13th outlet.

New restaurants helped boost the USM-quoted company's pre-tax profits by 16 per cent from £87,673 to £101,824 in the six months to April 3 on turnover 12 per cent ahead at £1.4m (£1.2m).

Mr John Barnes, chairman, said the company would continue its push into southern England. A Bristol outlet, opened at Easter, had achieved "the highest sales of any new opening".

Restaurants in Birmingham and Edinborgb ware also opened dnring the period, bringing total ontlets to 10. Since then Liverpool and Nottingham outlets have come on stream.

Harry Ramsden's in Hong Kong sbowed continued growtb. Mr Ricbard Taylor, finance director, said the experience gained there would be applied to openings in Singapore by the end of the year.

He anticipated that the first Harry Ramsden's in Melbourne, due to open next year, would "not be the last in Australia". A franchise opening in Jeddah is due later in 1995.

Tbe interim dividend is unchanged at 1p on earnings of 0.8p (0.7p) per share. In May the company made a placing of 213,960 shares at 265p apiece.

Harry Ramsden's

Share price (pence)

Source: Datastream

New contracts help Capita rise 33%

By Andrew Bolger

Capita Group, which provides services to the public sector, increased pre-tax profits by 33 per cent to £2.71m in the six months to June 30 and said prospects were encouraging.

Group turnover rose by 38 per cent to £30.5m, thanks mainly to new contracts in the outsourcing division, which provides revenue-collection and computer services to local government.

Outsonrcing revenues increased by 77 per cent to £21.1m and operating profits almost doubled £1.51m. Capita said the division's five-year projected revenue stood at £118m at the half-year, up from £109m last time.

Mr Rod Aldridge, chairman, said the group had taken a strategic decision to strengthen its sales activities in the central government and ntilities markets to complement its core local authority work.

He said: "This should provide a balance of revenue. Inevitably, there is a temporary reduction in activity in the local government market as local authorities implement the local government review."

Operating profits from the advisory division rose by 43 per cent to £600,000, even though sales fell 5 per cent to £4.4m. Capita said the drop in turnover was mainly because of increasing competition in the provision of short-term managers to the public sector.

Profits from tbe property services division fell by 14 per cent to £600,000, although sales were 8 per cent higher at £5m.

Capita said that to provide additional support to its revenue management operations it paid £1.05m in April for John Crilley & Son, one of the country's leading collection or bailiff agencies.

Since the half-year, the group had acquired Sims Holdings, a supplier of computer systems and support services to the education market, for an initial £6m. Mr Paul Pindar, managing director, said Sims provided Capita with an important position in the growing education sector, a market which accounted for 9 per cent of gross public expenditure.

Earnings per share increased 33 per cent to 3.8p (2.86p). The interim dividend rose by 29 per cent to 1.1p (0.85p), and the group said it expected to pay a total dividend for the year of 3.3p, a 29 per cent increase.

Scantronic chief resigns as debt rises

By Tim Burt

Scantronic Holdings, tbe security components manufacturer and distribntor which last month delayed publication of its full-year results, yesterday said Mr Ray Dias, its finance director, was resigning and it would be nnable to pay a final dividend.

The company said Mr Dias had failed to alert the board to the twin impact of increased borrowing and difficult trading conditions. Net indebtedness rose from £3.5m to £7.6m in the year to March 31, and stood at £11.2m by the end of last month.

Borrowing increased following two acquisitions: Alarmexpress, the UK security equipment distribntor, and Arius, the US distributor.

The group said it expected to report pre-tax profits in the next two weeks of not less than £2.75m for the year to March 31, against £1.6m.

The announcement was made after the market closed and the sbares were unchanged at 48p.

Marling ends year £0.7m in the black

By Caroline Southey

Marling Industries yesterday reported it had ended the year in the black and said it was joining the small number of UK companies to make a distribution to shareholders in the form of a foreign income dividend.

The industrial textiles company is taking advantage of the new regulations aimed at alleviating the tax burden on businesses which have a strong bias towards overseas profits.

Mr William Rollason, finance director, said the saving of £200,000 in advance corporation tax on conventional dividends would be passed on to shareholders in the form of a higher dividend.

A final pay-out of a net 0.57p has been recommended, making a total of 0.77p (0.65p), on a capital base increased 10 per cent by a rights issue last July. The increased dividend will compensate non-tax paying institutional shareholders which would have clawed back the ACT on conventional dividends.

Under the FID scheme, companies pay dividends out of foreign income. They were devised to aid companies which suffer under the UK tax regime when their mainstream corporation tax liability was insufficient to offset their ACT liability on dividends.

Announced in last year's budget, FIDs have been used by BAT Industries, the tobacco and financial services group, and Courts, the home furnishings retailer.

Marling's overseas operations, which account for 90 per cent of profits, helped it return to the black with pre-tax profits of £743,000 in the year to March 31 against losses of £9.6m last time.

Exceptional costs were £1.4m, compared with £8.7m which included losses on disposal of discontinued operations.

Pressure on prices pushed turnover on continuing operations down from £54.7m to £48.6m. Total turnover was down 25 per cent from £79m to £59m, including £6.5m from acquisitions and £3.96m (£24.3m) from discontinued operations. Overseas operations contributed 75 per cent of sales.

Marling's strongest performance came from its automotive seat belt webbing divisions in the Netherlands and Australia. Exports from Webco, its Australian offshoot, continued to grow, particularly to India, Japan, New Zealand and China. Mr David Smith, chief executive, said these markets offered longer term joint venture possibilities.

Mr Smith said high organic growth was anticipated from Müller, a German manufacturer of elasticated bandages, sports bandages and incontinence products acquired in July last year.

Overcapacity and pressure on prices contributed to an erosion of margins in the company's UK and German industrial webbing divisions.

Gearing had risen from 84 per cent last time to 95 per cent. Mr Rollason said the target was to reduce this to 75 per cent by the end of the next financial year.

Losses per share fell from 7.66p to 0.13p.

Pillar Property makes £4.35m buy

By Simon Davies

Pillar Property, due to announce the pricing of its flotation on Thursday, has announced the £4.35m acquisition of a development site on the southern edge of Glasgow's central district.

This is the second large deal by Pillar since it announced its flotation, marking the return of Mr Raymond Mould and Mr Patrick Vaughan, founders of Arlington Securities, to take up running the property group.

The latest site is phase two of a development project in the Broomielaw district of Glasgow, undertaken by a joint venture together with Kumagai Gumi UK. The site acquired by Pillar carries outline planning consent for a further 900,000 sq ft of mainly office space. The site will be developed over several years. It is expected that it will be undertaken "in association" with the Phase 1 developers.

MTM makes £10.5m agrochemicals sale

MTM, the chemicals group, has agreed to sell its agrochemicals subsidiary to United Phosphorus, an Indian group, for about £10.5m in cash.

The disposal will leave MTM with net cash of £16.2m which it plans to use for the acquisition of businesses with good profit growth potential.

In the year to last December the agrochemicals business contributed turnover of £21.4m and operating profits of £300,000 to group turnover of £53.6m and operating profits of £1.2m.

The division's net assets had a book value of £9.3m at the year end.

MTM, whose shares closed up 5p at 71p yesterday, said the division had insufficiant growth potential to justify retaining it as a core business.

The consideration includes s goodwill payment of £572,580 over net asset value. The final consideration is dependent on the net assets at completion.

UK side boosts Adam & Harvey

Adam & Harvay, the distribution and steel stockholding group, increased pre-tax profits by 16 per cent from £4.9m to £5.7m in the 12 months to end-March.

Turnover rose from £40.4m to £42.1m, and earnings per share improved from 54.2p to 77.6p.

The board is recommending a final dividend of 11p, which will be payable as a foreign income dividend. The interim dividend, paid in January, was 6p, and the total distribution for the previous year was 12p.

Mr Gerald Stuart-Lee, chairman, said trading conditions had been "unusually varied", but the company had had a promising start to the year.

"The UK subsidiaries and export trading companies will benefit from the strengthening UK economy and increasing world trade," he said. However, altbough changes in South Africa, Malawi and Kenya, and progress towards a free market in Zimbabwe, "should lead to substantial advantages for the steel division ... current market instability and pressures on margins could limit results in the short term".

In the UK, the hardwood and agricultural machinery companies increased profits substantially. Recession held back household goods and medical equipment in Germany, although agricultural, construction and food processing machinery prospered.

The board said it would review annually the balance between ordinary and foreign income dividends, and it is probable the current balance would alter as unrelieved, carried forward ACT, now standing at abont £400,000, is absorbed.

£227,000 loss for Clinical Computing

The costs of moving to new premises in the UK, setting up an office in the US and investing in prodnct development, together witb delays in customers placing orders, pushed Clinical Computing, the medical software company, toto a £227,000 loss for the six months to June 30.

The share price fell 10p to 90p on the news, against a flotation price of 124p and a high of 173p on the first day of trading when the company came to market in a £3.1m flotation in February.

Turnover was down from £1.18m to £735,000 and the first-half loss compares with a pre-tax profit of £446,000 for the same period last year. Losses per share came out at 1.4p against earnings of 3.7p.

NEWS DIGEST

LIG's cash call 88% taken up

London international Gronp, tbe condom maker, saw its £115m rescue rights issue taken up by 88.3 per cent of its shareholders.

The good result was helped by a strong last minute surge in the share price which has risen by 11p to 85p over the past week compared with the rights price of 70p.

Mr James Tyrrell, finance director, said: "We are very pleased with the result and now have to get on and run the company efficiently and realise shareholder value."

Market sources said tha share price had been buoyed by significant buying interest, particularly from the US, and from improved sentiment in the stock market as a whole.

The rump of the rights issues shares were placed at 85p, yielding a premium of 13.8p after expenses.

Euromoney

Euromoney Publications, the publisher and training and conference organiser, yesterday announced it was to acquire a 67 per cent stake in Raven Fox, a fellow publishing company which specialises in the business to business international travel retail market.

Euromoney will make an initial payment of £3.8m followed by a deferred payment of up to £1.5m, dependent upon Raven's profits in the year to end-December 1994.

Euromoney will acquire the balance of the equity in 1996, for which a further performance-related payment is payable dependent upon Raven's profits in the 1995 year.

The total consideration will not exceed £8.14m, although the directors of Euromoney estimate that it will probably fall in the region of £7m.

In the year to December 31 1993 Raven Fox made a pre-tax profit of £654,000. Net assets at that date amounted to £884,000.

Euromoney, whose ultimate holding company is Rothermere Investments, in May this year raised some £20m via a placing to fund its aggressive acquisition policy.

Lex Service

Lex Service, Britain's largest car distribution and leasing group, is expected to report a sharp increase in interim pre-tax profits this week. The rise follows exceptional gains on the sale of the last tranche of shares in Arrow Electronics, which it received in part payment for the disposal of its North American electronic components distribution businesses to Arrow in September 1991.

Analysts predict profits will climb to £31m (£21.2m) under FRS 3 when tha group announces its results tomorrow. Yesterday's Financial Times incorrectly reported that the results were due today.

Storm

Storm Group, which is involved with intellectual property rights relating to toys and cartoon characters, has announced the result of its placing and open offer to raise £2.3m.

Of the 16.97m shares offered at 15p each, some 5.83m (34.4 per cent of tha issue) were placed firm with institutional investors. Valid acceptances from shareholdars were received for 3.92m (23.1 per cent) and the remaining 7.21m (42.5 per cent) will be taken up in accordance with tha placing agreement.

Storm's shares trade on the USM.

Smaller Companies

Net asset value at the Smaller Companies Investment Trust rose from 124.65p to 136.87p over the year to June 30. However it was lower than the 146.41p achieved at the December 31 year end.

Net revenue for the six months end-June was £718,000 (£204,000) for earnings per share of 1.46p (1.31p). However, the interim dividend is being held at 1.2p.

Sherwood Computer

Sherwood Computer Services, has sold Sherwood Consort Data, its subsidiary providing software and sarvices to the stockbroking market, to its management for a maximum of £450,000.

The directors said the disposal is in line with declared strategy of concentrating on core activities and, in particular, to reduce conflict with City Deal Services, the company's own execution-only stockbroking arm.

In 1993 Consort had a turnover of £835,000 and a net loss of £1,000. It had a net deficit on reserves of £33,000.

Sherwood Computer received £250,000 on completion and will receive a further consideration up to a maximum £200,000 payabla as a royalty on licence sales. Proceeds will reduce the company's overdraft.

WEW

WEW Group, the discount retailer, has warned it will have to make full-year provisions for excess stock, particularly clothing from last winter and autumn and Sega computer games equipment.

The company added that following the poor spring trading the last six weeks had been over budget.

The shares lost 1½p to close at 34½p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Adam & Harvey	fin	11‡§§	Sept 14	7	17	12
Bullough	int	1.75	Sept 15	1.75	-	8.05
Capita Group	int	1.1†	Oct 6	0.85	-	2.55
Greggs	int	7	Oct 14	6	-	18
Marling Inds	fin	0.57†‡	Oct 7	0.65	0.77	0.65
Merrydown	fin	1.5	Oct 5	6	2.5	7
Ramsden's (H) §	int	1	Sept 30	1	-	4.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Foreign income dividend. §§Gross.

Greggs advances 27% to £3.66m

By Chris Tighe

Greggs, the manufacturer and retailer of bread, confectionery and savoury products, yesterday reported pre-tax profits up 27 per cent from £2.89m to £3.66m for the 24 weeks to June 18.

A 7.5 per cent rise in turnover to £51.9m, against £48.3m, included an increase of 1.5 per cent in core volume.

Earnings per share were up by 26 per cent from 17p to 21.4p and the interim dividend is increased by 17 per cent to 7p per sbare, compared with 6p.

The interim results cover the period immediately before Greggs' acquisition of the Baker's Oven business from Associated Britisb Foods on June 19. This boosted total outlets from 505 to 929, making Greggs Britain's largest retail baker, trading from Pitlochry to Southampton.

Mr Mike Darrington, managing director, said the priorities now were implanting Greggs' decentralised structure into Baker's Ovan, improving the acquisition's quality and efficiency and addressing its continuing core volume declina.

He said several years' hard work lay ahead to realise the full benefits but it would cover its financing costs from the outset. Some benafits were already being felt, including better buying for the enlarged business.

At the period end Greggs had net cash of £12.6m. Year-end borrowings are expected to be less than £5m despite the £12m nat acquisition cost of Baker's Oven, and a record £16m capital expenditure programme.

Mr Darrington said he expected a satisfactory result for the whole year, but predicted slower profit growth in the second half, partly due to the start-up costs of new bakeries in London and Birmingbam. Recent hot weather was also a factor, denting sales of pastries, cream cakes and sweet cake lines.

Tony Andrews

Mike Darrington (left) and Malcolm Simpson, finance director: Baker's Oven, the new acquisition is the coming year's priority

COMPANY NEWS: UK

Restructuring helps Bullough recover to £7m

By Tim Burt

Bullough, the diversified engineering and office products group, yesterday forecast a return to the "blue sky" of high margin profits as the benefits of tight cost controls and restructuring produced a sharp increase in the interim pre-tax figure.

The group saw first half profits leap from £50,000 to £7.13m for the six months to April 30, even though turnover declined from £133.4m to £132m.

Althougb tbe comparable year's figures were undermined by a £4.67m restructuring charge, operating profits before provisions rose by 35.5 per cent from £5.64m to £7.64m.

Mr Gordon Bond, who took over as chief executive in January, said: "Every division has shown growth and we can now pursue our aim of getting profitability back to 1990 levels." In that year pre-tax profits reached £28.7m.

His optimism was fuelled mainly by improved results from the heating and refrigeration divisions, which saw operating profits increase to £2.55m (£1.8m) and £1.86m (£1.56m).

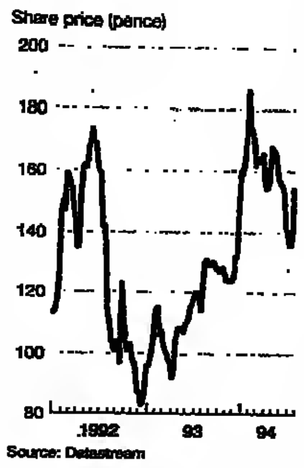
Turnover declined in both the angineering and office products sectors, hut they defied tight margins with profits of £2.49m (£2.19m) and £943,000 (£83,000) respectively.

Tha group sald it had appointed an internal auditor to oversee financial controls after a £1.4m mis-statement last year at the sonth west branch of its General Refrigeration subsidiary.

The branch has since been merged with its Midlands operation and the accountant responsible has been dismissed and faces civil proceedings to recover more than £30,000 of missing cash.

Bullough

Share price (pence)



Source: Datastream

The shares rose 9p to 154p yesterday after the group announced earnings per share of 3.85p (0.02p). The final dividend is held at 1.75p.

● COMMENT

Mr Bond has shakan not stirred Bullough. The workforce in the group's office products companies has been cut in half and managers have been instructed to pursue quality at low cost. He was lucky to arrive after the group had been through the worst part of its "pain first, gain later" restructuring. But he deserves credit for refocusing it into four key areas and cutting gearing from 12.5 per cent to 3.1 per cent, leaving plenty of room to buy market share through acquisitions. Steady long-term growth in each division is a real prospact and analysts have upgraded tbeir forecasts for full year pre-tax profits to abont £17.5m. On a forward multiple of 16, the shares seem an expensive hut secure long-term bet.

BA places £15m Satcom order

By Andrew Adonis

Racal, the data communications group, and Honeywell, the US electronic control systems company, have won a £16m order from Britisb Airways for their "Satcom" satellite communications system.

The contract is the largest Satcom order to date, and establishes Racal/Honeywell as a strong leader in the rapidly growing market for airborne digital communications.

British Airways said tbe new system would "revolutionise the quality of communication from the flight deck", with higher quality voice communications and automatic monitoring for engineering purposes.

Satcom also has the potential to provide a telephone at every seat in the aeroplane and enhanced passenger entertainment and interactive facilities.

British Airways sees the new system as as an important competitive asset.

Most big airlines have experimented with satellite telephones, but previous analogue systems have been at best a partial success because of the variability of sound quality and the cost of the equipment and satellite time.

British Airways will test the first multi-channel systems this year, and intends to install them in 90 long-haul aircraft from next year.

These will include Boeing 747s, long-range 767s and McDonnell Douglas DC10s. The Concorde fleet may also be equipped.

Tbe Racal-Honeywell team has won orders for more than 500 satellite-based airborne systems from 30 air transport customers, and claims to have certification on 10 aircraft types.

Ryland worth up to £30m in float

By Tim Burt

Ryland Group, tbe family-owned vehicle distribution group, yesterday announced plans for a stock market flotation valuing the company at between £25m and £30m.

The move follows a rapid expansion of the Midlands-based group, which has spent £1.5m on new dealerships this year, giving it a network of 25 showrooms across the country.

Mr Peter Whale, chairman and chief executive, hinted that funds raised by the flotation, by way of a placing sponsored by Albert E Sharp, would be used to accelerate tbe group's expansion programme.

"We expect to raise between £10m and £12m and that will give us greater flexibility in financing acquisitions," said Mr Whale, a grandson of Mr Harry Whale, wbo started the business in 1951 by selling trucks in Birmingham.

Since then it has establisbed distribution agreements with manufacturers including BMW, Mercedes, Nissan, Vauxhall, Toyota, Honda, Renault and Ford.

The timing of the flotation has also beeo influenced by resurgent demand for new and used cars in the past year.

Buoyant sales helped Ryland increase pre-tax profits from £773,000 to £2m in the year to April 30.

Operating profits moved ahead from £2.4m to £3m on increased turnover of £190m against £157m.

Following the placing, the Whale family's holding in the company is expected to decline from 65 per cent to between 30 per cent and 40 per cent.

Exceptional costs hit Merrydown

By Clare Gascoigne

Stock write downs and reorganisation costs pushed Merrydown, the cider and drinks gronp, into a pre-tax loss for the year to the end of March, despite a 33 per cent rise in turnover to £25.6m.

The dividend is cut from 7p to 2.5p, with a proposed final of 1.5p, and the shares closed 2p lower at 130p yesterday.

Mr Richard Purdey, chairman, said the year had been "one of the most difficult in the company'a 48-year history", with Christmas sales of cider "particularly disappointing".

Exceptional costs of £2.99m wiped out a small operating profit of £894,000 and turned last year's £1.71m profit into a loss of £2.79m.

However, Mr Purdey said the reorganisation would mean savings of £1.5m in the current year. "The group is now wholly focused on drinks," he said.

The decision had been made to sell Martlet Natural Foods, and an agreement with Toohheys, the Sydney-based brewing subsidiary of Lion Nathan, will mean the launch of Merrydown Premium cider in Australia.

Earnings per share before exceptional items and discontinued activities were 2.07p (10.7p), but after exceptionals there were losses per share of 22.76p (13.03p earnings).

NatWest Smaller shows improvement

The net asset value per ordinary share of the NatWest Smaller Companies Investment Trust stood at 114.77p at the June 30 year end, against 100.69p a year ago. Net asset value of the new C shares was 119.97p at the same date.

The 29.5m C shares were issued in connection with the trust's £35m fund-raising exercise in March this year. They will convert into ordinary shares on July 28 at a ratio of 1.04530801 with one new warrant for every five sbares issued, raising the ordinary shares in issue to 47.2m, against 16.4m.

Some 6.16m new warrants will be issued, which can be exercised at 100p on October 31 each year until 1998. The record date for conversion is July 22 1994.

Prior to the placing the trust was known as County Smaller Companies Investment Trust.

Nel revenue for the year amounted to £949,000 (£556,000). Earnings emerged at 4.32p (3.4p) per ordinary and 0.82p per C share.

A special interim dividend in respect of the year is declared, comprising a principal dividend of 1.875p in lieu of a final, thereby maintaining the total at 3p, and an exceptional dividend of 0.425p which is attributable to the issue and conversion of the C shares.

Olives Property makes £0.9m buy

Olives Property, the paper making and property development group, has acquired Zincshire, a privately owned property investment company, for £935,000.

The consideration will he satisfied by £100,000 in casb and the balance by the issue of 1.7m new ordinary shares and £200,000 nominal convertible secured stock.

Zincshire, which owns two freehold properties in Swindon and west London, made pre-tax profits of £109,640 for the year to March 24 1994, at which date net assets were £285,839.

BM nets $22m from US sale

BM Gronp, the loss-making engineering company, yesterday announced the latest in a series of disposals with the sale of a US construction and mining equipment distributor to Marubeni of Japan for a net consideration of $22.2m (£14.5m).

Tbe sale of Mitcbell Distribnting, which had been expected before the June 30 year-end, will bring current debt down by £13.3m to £52m.

Debt has been redneed substantially from the £98m reported at the interim stage by previous disposals. Because of the slight delay in completing the sale agreement, hnwever, the group will show borrowings of £65m when it reports annual figures in October.

BM said the disposal programme, agreed with bankers, was on track. The group plans to get rid of businesses in Canada – for which it took a £6m charge at the interim stage – and operations in Belgium and South Africa.

BM will now have to focus on renegotiating banking facilities to replace tbe short-term suppnrt which expires in December.

IMI sells computer offshoot

IMI has sold Redwood International, its lossmaking computing software subsidiary, to CP Software Group, a California-based software management and marketing specialist.

IMI will receive £5m, satisfied by the issue of a secured promissory note with a maximum maturity of five years.

It will also receive convertihle preferred stock and 19.9 per cent of the common stock of a new US company formed by CP to hold its interest in Redwood.

IMI is making available up to £6m of interest bearing loans to support the repositioning and restructuring of Redwood which CP has planned.

Redwood incurred operating losses of £4m in 1993, entirely in the second balf, and the loss for the first half of 1994 is expected to rise to about £8m.

The directors said the computer software market was becoming more competitive and the uptake of Redwood's new product range was slower than expected.

IMI's second half results will reflect an exceptional charge of about £16m, which will include a write-down in net assets and the loans referred to.

COMMODITIES AND AGRICULTURE

Speculators lose taste for coffee

By Alison Maitland

Coffee futures yesterday suffered a sharp setback in New York and London as selling by disillusioned speculators ran into a lack of buying interest on the eve of the first Brazilian government estimates of the frost damage to next year's crop.

In London, the second position robusta contract dropped $245 to $3,383 a tonne, leaving it about $300 above its level just before the second Brazilian frost two weeks ago and 17 per cent below its 8½-year peak of $4,085 in the week following that frost.

The New York market, which is more driven by speculative interest and trades in arabica, Brazil's primary coffee variety, has seen an even larger retracement of about 25 per cent from its peak of 274 cents a pound on July 13. In afternoon trading yesterday, the September contract was off 13.20 cents at 206.20 cents a pound.

The belief is growing that the crop damage will be less than initially thought from the two severe frosts which struck in late June and early July. "With the benefit of hindsight, a lot of the ideas put around before are now seen as having been too much too soon," said Mr Robert MacArthur, head of the tropical trader group at Merrill Lynch in London.

He said estimates of damage of between 6m and 9m bags to a crop that could have been 25m-30m bags were now widely believed and had been discounted in prices. "If Brazil only confirms that, it won't be enough to do much to the market. If it's significantly higher, people might be disbelieving."

He added that more physical supplies had come on to the market and coffee roasters and traders had better cover than during the scramble that followed the second frost.

E.D. & F. Man, the London commodity trader, said yesterday that a loss of 6m to 8m bags could mean a crop only a little smaller than this year's harvest of around 24m.

GNI, the London brokers, took a similar line. "We believe that the final crop figure will come in close to 20m bags," it said in its daily market report.

Yesterday's falls, in fairly thin volume, were fuelled by warmer weather during the weekend. Both previous frosts took place at the weekend, and the potential frost season continues until the end of next month.

One London trader commented: "The real problem is that nn one is sure where the market should be."

● Zimbabwe has lost up to 20 per cent of its expected coffee output of 7,800 tonnes this season because of frost, reports Reuters from Harare.

Indian growers get better bargain

Newly-authorised private auctions are flourishing, writes **Kunal Bose**

The Indian government is progressively reducing the marketing role of the Coffee Board, which until a couple of years ago used to pool the country's entire production for auctioning. As part of a general economic liberalisation plan the Coffee Act of 1942 has been changed to allow growers to market half their production independent of the Board in either the domestic or foreign market.

There is a consensus among all concerned that liberalisation – to start with, the growers were allowed to sell 30 per cent of their produce in the domestic market only – has done a world of good to the plantation industry. Even though the buyers of coffee for the domestic market are complaining loudly about "runaway" inflation in coffee prices at the auction since January, they admit that the planters have started taking a lot more care about the quality of the crop.

When the board was pooling the crop "the estates did not have any individual identity", says an official of the Karnataka Planters Association. "Moreover, the return from coffee was so low prior. . . that the growers had neither the money nor the incentive to care for quality."

But with the Indian Coffee Trade Association holding fortnightly auction at Bangalore, where returns depend on quality, the estate owners are giving a lot more attention to irrigation, use of nutrients and plucking and curing of berries.

The success of the ICTA auction has encouraged producers and traders to organise monthly auction at Coorg in Karnataka and Coimbatore in Tamil Nadu.

While the – a big incentive to producers being the prompt payment they receive – the board, which holds a weekly auction at Bangalore, is not getting enongh coffee, although growers are required to surrender half their production to it. The Board takes an inordinately long time to pay for the pooled coffee and the premium for good quality is insufficient.

According to the Board, India's 1993-94 (October to September) coffee crop will be 208,000 tonnes, comprising 119,500 tonnes of robusta and 88,500 tonnes of the milder arabica. The board should, therefore, be getting 104,000 tonnes of coffee from the growers. But the amount received so far is less than 50,000 tonnes.

The growers think that India will finish the season with a crop of 180,000 tonnes, up from 169,395 tonnes in 1992-93.

It is mainly the small growers with holdings of up to ten hectares – they own nearly 64 per cent of the 270,821 hectares under coffee – who are not surrendering the required quantity. And the board lacks the means of enforcing discipline. Mr Ashok Kuriyan, himself a big planter and president of ICTA, suggests that instead of "encouraging corrupt practices, the government should exempt the small growers from pooling coffee with the board".

The plantation owners argue that es the private auctions are doing well with enthusiastic participation by the growers, traders and exporters, the government should now allow them to market the entire crop. But the authorities will have to take into account the growing discontent among the Indian consumers over the rising coffee prices and the demand for a separate coffee auction for the domestic market before it thinks of further liberalising the trade.

The small growers' action committee does not believe that separate auction sales for the domestic market will give any relief to consumers "since as long as the world coffee prices remain higher than the domestic prices, coffee will somehow be cornered by the exporters. The return to the dual auction system will only breed corruption".

The growers, irrespective of size, point out that for the first time in many years they are getting a good return from coffee. They say that the surpluses are being used to pay back loans, create irrigation facilities and start the process of replanting bushes, many of which are 50 to 60 years old. They realise that their present prosperity is a reflection of the world coffee situation. If the government wants to give relief to vulnerable sections of society, they argue, it should take some coffee from the board for distribution through ration shops. The elimination of middlemen would make such coffee cheaper by at least 20 per cent, they claim.

With Indian coffee inviting strong export enquiries, the growers think that exports in this financial year (April to March) will be much higher than the 125,172 tonnes shipped in 1993-94.

Russian aluminium exports higher than thought

Russian aluminium exports outside the Commonwealth of Independent States rose to 1.116m tonnes in the first half of this year from 673,600 tonnes in the corresponding period a year earlier, according to the Foreign Economic Relations Ministry, reports Reuters from Moscow.

Aluminium exports in January-May were 978,200 tonnes, up from 495,800 tonnes in the year-ago period, a ministry official said.

The official, who declined to be named, said an initial January-June estimate of 1.25m tonnes had been revised. The latter figure was published by the State Statistics Office in its latest report on the economy.

An official of Aluminiy the country's aluminium prodncers' gronp declined to comment on the figures.

Russia and other major world aluminium producers agreed earlier this year to cut output in a bid to prop up the market. The agreement was in response to a sharp fall in aluminium prices caused by a surge in Russian exports following the breaking up of the Soviet Union. Prices have since risen strongly.

Data released at a meeting of the prodocers in Australia this month showed that Russian ontpnt fell to 220,800 tonnes in Jnne from 236,100 in November 1993. That data also indicated, however, that exports in the first five months of this year amounted to abont 800,000 tonnes, roughly in line with the 1993 total of 1.9m tonnes.

UK scientists in search for 'greener' dairying system

By Deborah Hargreaves

British researchers are investigating whether dairy farming can be both profitable and environment-friendly.

The government's farm advisory service, Adas, is examining ways of reducing the waste products and emissions from dairy farms, such as nitrogen run-off and manure or slurry. Project managers have set up three dairy systems at Adas's Bridgets research centre in Hampshire to compare the results of different types of management.

Disposing of slurry in a way that is not harmful to the environment is a controversial issue in the European Union where it is tackled by different countries in different ways. In Denmark, farmers must own enough land to dispose of their own slurry or must be able to secure contracts from their neighbours to get rid of it on their land.

The British government is looking at the possibility of introducing legislation that would force farmers to store the slurry for a period and dispose of it when it was least likely to be harmful to the environment. This would raise costs for farmers, but it would also bring some benefits as the land gets more nntrients from manure if it is spread done in the winter.

The experimental dairy units range from a conventional system with a stocking rate of 2.1 cows a hectare to a farm with the same amount of land and number of animals but which has incorporated measures for reducing nitrate losses.

The third unit includes more land with the same number of cows so that nitrate leaching losses can be cut to below the European Union limit of 50 milligrammes a litre.

Mr Steven Peel who runs the project, which has received a £700,000 grant from the government, says the profitability of the different systems will be studied for three years to see if environmental management can be improved without affecting profits.

At the same time, the researchers are looking at the use of forage maize for cows' diets as a replacement for silage, which will help to reduce the amount of nitrogen they excrete. Feed can be formulated in a way that eliminates excess nitrogen.

Wool industry 'emerging from crisis'

By Deborah Hargreaves

Australia's wool industry is just pulling out of a crisis that lasted for the past three years, according to Mr Barry Jackson, managing director of the Australian Wool Research and Promotion Organisation. A collapse in price led the country's 70,000 growers to run up debts of A$2.8bn.

In 1991, following the withdrawal of a reserve price scheme by the Australian government, prices dropped to 348 cents a kilogram but have since climbed back to 600 cents. Production declined because of the downturn in price, bringing the market closer to equilibrium.

In a talk to the Australian Business in Europe forum, Mr Jackson said that last year was the fourth in which sales had exceeded output, which meant that the government's stockpile of 4.5m bales of wool was being eroded. He said the stockpile and producers' debts which now stood at A$1.2bn should be eliminated in three to four years.

"We've gone from being a very conservative, producer-orientated industry to being much more market and consumer- related," Mr Jackson said.

Australia's wool organisation co-ordinates research and development work for growers. It has also recently taken over the direction of the International Wool Secretariat which is based in Ilkley in Yorkshire but for which Australia provides 85 per cent of the funds.

The secretariat will be moved to Melbourne, where Mr Jackson plans to rebuild reserves and start advertising wool to consumers again. "Competition is against cotton and synthetics, not wool from other countries," he said.

Wool accounts for between 7 and 10 per cent of Australia's exports at a value of A$3 to A$4bn a year.

Mr Jackson is keen to pitch wool as a quality product and not just a commodity. Wool accounts for just 4 per cent of world fibre output which is dominated by cotton and synthetic fibres and although world demand is growing, production is constrained by limitation of space for keeping sheep.

MARKET REPORT

Copper leads cautious base metals rally at LME

Most base metal markets finished higher on the London Metal Exchange yesterday.

COPPER tended to stutter higher, with periods of upward movement and option-related buying followed by spells of torpor.

ALUMINIUM was helped by late commission house buying, which ensured a close at the day's highs, although it too was subdued once early Far Eastern buying below $1,500 had run its course.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1480-82	1507-8
Previous	1482-84	1509-11
High/low	1479	1515/1492
AM Official	1479-9.5	1506.5-7.0
Kerb close		1515-6
Open int.	280,000	
Total daily turnover	45,100	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1492-97	1512-15
Previous	1490-500	1515-17
High/low		1515/1514
AM Official	1490-95	1514-15
Kerb close		1512-5
Open int.	2,562	
Total daily turnover	730	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	583-84	599.5-600
Previous	575.5-6.5	592-3
High/low		599.5/588
AM Official	577-7.5	593-4
Kerb close		599-600
Open int.	41,439	
Total daily turnover	11,903	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6190-200	6285-90
Previous	6155-60	6245-50
High/low		6330/6170
AM Official	6160-65	6250-55
Kerb close		6325-30
Open int.	58,871	
Total daily turnover	10,760	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5275-85	5350-60
Previous	5230-40	5305-15
High/low		5360/5310
AM Official	5230-40	5315-20
Kerb close		5350-60
Open int.	19,454	
Total daily turnover	4,948	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	971.5-2.5	996-97
Previous	966.5-7.5	991-2
High/low		998/982.5
AM Official	968-69	992.5-93
Kerb close		997-8
Open int.	102,996	
Total daily turnover	15,179	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2520-22	2526-28
Previous	2506.5-7.5	2514-5
High/low	2518	2530/2502
AM Official	2516.5-17.0	2522.5-23.0
Kerb close		2525-6
Open int.	227,184	
Total daily turnover	31,951	

■ LME AM Official £/$ rate: 1.5326

LME Closing £/$ rate: 1.5310

Spot:1.5327 3 mths:1.5312 6 mths:1.5309 9 mths:1.5298

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jul	114.70	+0.75	115.15	114.25	888	417
Aug	114.70	+0.75	114.85	114.70	734	134
Sep	114.95	+0.70	118.00	114.80	32,368	4,412
Oct	114.75	+0.70	114.80	114.10	420	4
Nov	114.35	+0.70	-	-	245	-
Dec	113.95	+0.70	114.90	113.50	10,414	329
Total					51,236	5,321

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	385.00-385.40	
Opening	385.00-385.40	
Morning fix	384.85	250.982
Afternoon fix	385.00	250.945
Day's High	385.30-385.70	
Day's Low	384.60-385.00	
Previous close	384.50-384.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.02	6 months	4.52
2 months	4.10	12 months	4.90
3 months	4.17		

Silver Fix	p/troy oz.	US cts equiv.
Spot	343.00	526.00
3 months	347.30	532.05
6 months	351.80	538.75
1 year	362.70	554.25
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	380-383	254-257
Maple Leaf	396.75-398.25	-
New Sovereign	90-93	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	384.8	-0.1	-	-	3	-
Aug	384.9	-0.1	385.5	384.7	54,435	16,978
Sep	386.4	-0.1	-	-	-	-
Oct	388.0	-0.1	388.6	387.8	7,133	670
Dec	391.1	-0.1	391.7	390.9	43,842	5,460
Feb	394.5	-0.1	395.1	395.0	10,408	871
Total					164,839	24,987

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	418.1	+2.2	-	-	64	41
Oct	421.1	+2.2	422.8	419.5	21,025	1,575
Jan	424.5	+2.2	424.9	423.5	2,313	10
Apr	428.0	+2.2	429.0	427.0	1,791	1
Jul	432.0	+2.2	-	-	1	-
Oct	436.0	+2.2	-	-	1	-
Total					25,195	1,627

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	149.80	+1.65	150.00	148.25	4,696	187
Dec	148.80	+1.40	149.50	147.75	946	7
Mar	148.30	+1.40	-	-	706	1
Total					6,360	195

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	529.0	+3.3	529.5	525.0	118	58
Sep	531.0	+3.0	533.0	527.5	78,044	10,725
Dec	538.3	+3.0	540.0	534.5	24,482	474
Jan	539.9	+3.0	-	-	35	-
Mar	546.4	+3.0	547.0	546.0	6,638	16
May	551.8	+3.0	-	-	3,618	1
Total					121,628	11,274

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	19.50	-0.11	19.75	19.38	110,055	41,649
Oct	19.16	-0.05	19.27	19.05	48,341	15,358
Nov	18.95	-0.06	19.03	18.90	33,699	2,949
Dec	18.81	-0.06	18.82	18.75	46,837	3,436
Jan	18.73	-0.04	18.73	18.63	22,782	2,227
Feb	18.70	-	-	-	11,269	307
Total					403,283	68,006

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	17.67	-0.17	17.87	17.63	67,225	20,440
Oct	17.60	-0.15	17.79	17.57	23,363	8,335
Nov	17.55	-0.08	17.66	17.54	10,979	2,411
Dec	17.52	-0.03	17.56	17.47	15,300	1,335
Jan	17.43	-0.06	17.45	17.43	5,758	595
Feb	17.37	-0.06	17.37	17.37	2,541	200
Total					134,585	33,394

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	50.85	+0.28	51.00	50.30	18,637	12,184
Sep	51.25	+0.19	51.45	50.85	27,688	8,575
Oct	52.15	+0.14	52.15	51.85	12,711	2,876
Nov	53.16	+0.14	53.10	52.90	9,920	447
Dec	54.00	+0.14	54.00	53.80	21,314	1,732
Jan	54.55	+0.09	54.80	54.80	12,354	546
Total					125,842	28,448

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	152.50	-1.75	155.75	152.25	24,823	8,669
Sep	156.75	-1.25	159.25	155.75	16,788	3,209
Oct	160.00	-1.50	161.50	160.00	12,806	1,168
Nov	162.25	-1.50	163.75	162.25	9,835	856
Dec	164.50	-1.00	166.00	164.50	15,069	589
Jan	165.75	-1.25	166.75	165.25	7,918	520
Total					98,431	13,146

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	1.870	-0.050	1.915	1.865	22,224	10,988
Oct	1.950	-0.042	1.985	1.650	10,635	2,516
Nov	2.085	-0.025	2.105	2.080	9,351	1,386
Dec	2.210	-0.025	2.230	2.210	14,540	1,531
Jan	2.225	-0.019	2.238	2.225	10,211	704
Feb	2.156	-0.001	2.165	2.155	6,028	280
Total					106,503	48,280

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	58.45	+0.71	58.80	55.70	29,020	15,980
Sep	56.20	+0.41	56.75	55.75	34,201	9,644
Oct	54.50	+0.21	54.80	54.45	12,119	3,276
Nov	52.80	+0.21	52.90	52.70	9,109	404
Dec	57.80	+0.01	57.80	57.30	5,247	231
Jan	56.70	-0.04	56.80	56.40	2,047	80
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	105.40	+0.75	105.40	105.00	396	8
Nov	108.45	+0.85	108.50	105.30	2,352	184
Jan	108.55	+0.75	108.55	108.00	1,459	84
Mar	110.25	+0.75	110.25	110.00	671	19
May	111.90	+0.85	111.90	110.80	682	70
Jul	113.65	-	-	-	147	-
Total					5,707	365

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	327/4	+4/6	328/2	322/4	91,810	20,385
Dec	341/4	+5/2	342/4	338/0	155,775	50,075
Mar	347/0	+5/4	347/6	341/6	34,245	3,605
May	341/0	+5/0	342/4	338/0	1,835	420
Jul	324/0	+1/4	326/0	322/0	3,975	1,125
Dec	334/0	+1/4	-	-	18	-
Total					287,680	75,620

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	217/0	+1/6	217/4	215/2	246,885	43,870
Dec	219/4	+1/6	220/0	217/6	596,965	81,840
Mar	228/4	+1/6	229/0	226/6	116,045	12,680
May	235/0	+1/6	235/4	233/2	40,865	3,915
Jul	239/0	+1/6	239/2	237/2	39,815	4,400
Sep	241/2	+1/6	241/6	239/6	2,765	285
Total					1,069/6	149,695

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	102.90	+0.15	-	-	102	-
Nov	104.40	-0.10	104.75	104.40	483	8
Jan	106.30	-	-	-	33	-
Mar	107.65	-	-	-	38	-
May	109.25	-	-	-	1	-
Total					657	8

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	590/6	+5/6	593/4	585/4	112,775	54,980
Sep	574/4	+5/0	576/0	570/0	82,455	23,545
Nov	563/2	+4/2	565/0	558/4	339,315	118,820
Jan	570/6	+4/2	572/4	565/4	53,285	7,930
Mar	579/0	+4/0	580/4	574/4	18,225	3,820
May	585/0	+3/6	586/0	582/0	18,020	1,245
Total					643,440	211,735

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	24.42	+0.25	24.55	24.25	15,551	2,375
Sep	24.31	+0.20	24.45	24.23	20,802	2,948
Oct	23.77	+0.21	23.90	23.70	12,952	1,179
Dec	23.39	+0.16	23.54	23.30	37,389	4,527
Jan	23.39	+0.14	23.55	23.33	3,657	261
Mar	23.39	+0.09	23.56	23.33	4,282	510
Total					98,583	12,071

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	176.8	+1.2	177.5	175.1	19,371	3,934
Sep	176.0	+1.1	176.9	174.8	16,769	2,283
Oct	174.3	+1.2	175.5	172.8	10,632	1,174
Dec	174.6	+1.4	175.8	172.7	28,685	4,092
Jan	175.5	+1.2	176.3	173.5	3,208	509
Mar	176.9	+1.1	178.0	174.8	4,138	1,139
Total					86,716	13,264

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	231.3	+5.8	231.5	224.1	1,171	125
May	240.0	-	-	-	-	-
Jan	107.5	-	-	-	-	-
Total					1,171	125

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1443	-2	-	-	539	-
Aug	1387	+10	1395	1378	825	65
Sep	1393	+9	1396	1390	193	62
Oct	1423	+10	1425	1420	502	15
Jan	1430	+11	1430	1425	263	0
Apr	1443	-5	-	-	102	-
Total					2,504	149

	Close	Prev
BFI	1437	1436

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1045	-35	1065	1045	256	68
Sep	1058	-34	1087	1056	16,761	2,276
Dec	1070	-34	1090	1068	30,706	1,623
Mar	1091	-33	1106	1089	29,189	789
May	1100	-33	1105	1100	10,123	33
Jul	1106	-32	-	-	3,965	75
Total					106,478	4,792

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1417	-57	1445	1411	39,319	3,714
Dec	1463	-51	1489	1457	18,393	1,359
Mar	1497	-48	1517	1490	7,822	121
May	1517	-48	-	-	2,954	5
Jul	1537	-48	-	-	2,344	-
Sep	1557	-48	-	-	1,092	-
Total					77,704	5,244

■ COCOA (ICCO) (SDR's/tonne)

Jul 22	Price	Prev. day
Daily	1105.29	1106.75
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	3370	-260	3500	3400	423	27
Sep	3383	-245	3505	3362	19,717	2,496
Nov	3370	-249	3500	3355	8,420	1,278
Jan	3362	-249	3495	3340	10,496	397
Mar	3355	-254	3431	3335	3,695	486
May	3363	-245	3435	3420	874	14
Total					43,636	4,696

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	209.20	10.20	213.50	205.00	21,394	5,144
Dec	212.50	10.45	216.25	208.00	11,554	1,800
Mar	217.80	-9.00	219.50	217.80	5,216	291
May	219.50	-9.00	219.50	219.50	1,814	72
Jul	221.00	-9.00	221.10	221.10	333	-
Sep	227.25	-4.50	-	-	39	-
Total					40,367	7,308

■ COFFEE (ICO) (US cents/pound)

Jul 22	Price	Prev. day
Comp. daily	195.19	199.74
15 day average	193.50	191.77

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.10	-0.01	12.11	12.07	80	1370
Jan	11.82	-	-	-	-	-
Mar	11.84	+0.01	-	-	-	90
Total					80	1,460

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	315.70	-0.60	316.50	315.00	11,059	251
Dec	312.80	-0.40	312.90	312.90	986	20
Mar	311.40	-0.40	311.90	311.30	4,074	91
May	319.50	-0.10	-	-	369	-
Aug	310.10	-0.30	-	-	345	-
Oct	297.50	-0.40	297.50	297.00	171	3
Total					17,023	365

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.78	-0.08	11.83	11.74	65,429	3,667
Mar	11.66	-	11.66	11.59	30,417	839
May	11.56	-	11.61	11.53	6,487	232
Jul	11.50	-	11.52	11.43	2,602	80
Oct	11.41	-	11.36	11.36	1,113	52
Mar	11.29	-0.01	11.29	11.29	180	30
Total					106,222	4,900

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	72.70	+1.40	72.00	71.50	9	-
Oct	74.15	+1.55	74.60	73.00	8,044	679
Dec	73.80	+1.55	74.25	72.40	30,731	4,337
Mar	75.00	+1.53	75.47	73.75	7,180	147
May	75.75	+1.53	76.22	74.50	4,210	35
Jul	76.60	+1.55	71.00	75.25	2,459	64
Total					53,913	5,326

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	95.40	+2.60	95.40	93.80	14,346	309
Nov	98.20	+2.30	98.60	96.75	3,211	137
Jan	101.30	+2.05	101.75	99.90	4,020	29
Mar	104.50	+2.25	105.00	103.50	2,387	12
May	107.55	+2.30	-	-	718	3
Jul	109.50	+2.25	108.80	108.40	184	-
Total					25,071	491

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	68.250	-1.025	69.000	68.050	22,833	2,828
Oct	70.975	-0.825	71.550	70.800	24,573	3,574
Dec	70.500	-0.600	70.775	70.200	12,583	1,540
Feb	69.650	-0.525	70.100	69.525	9,862	985
Apr	70.775	-0.650	71.500	70.700	5,124	332
Jun	67.750	-0.475	68.200	67.750	1,202	49
Total					76,258	9,313

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	46.100	+0.300	46.200	45.100	9,512	2,360
Oct	42.050	+0.375	42.300	41.200	10,057	1,323
Dec	41.450	-0.075	41.625	40.800	4,419	536
Feb	41.125	+0.125	41.350	40.850	1,393	326
Apr	40.100	-0.200	40.300	40.000	884	100
Jun	44.825	-0.200	44.900	44.550	-	-
Total					28,280	4,960

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	30.925	-1.700	31.900	30.800	3,823	1,544
Feb	44.275	-1.275	46.000	44.200	3,522	746
Mar	43.750	-0.750	44.250	43.700	119	3
May	44.800	+0.300	45.100	44.800	44	3
Jul	45.250	-0.750	45.250	45.250	28	2
Aug	43.800	-	-	-	-	-
Total					7,568	2,398

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1500	47	97	41	65
1525	36	76	55	76
1550	27	64	70	91
■ COPPER (Grade A) LME	**Sep**	**Dec**	**Sep**	**Dec**
2500	88	115	51	105
2550	60	93	75	132
2600	41	74	105	182
■ COFFEE LCE	**Sep**	**Nov**	**Sep**	**Nov**
3600	120	357	363	587
3650	132	342	399	622
3700	95	329	439	659
■ COCOA LCE	**Sep**	**Dec**	**Sep**	**Dec**
1000	71	119	13	49
1050	39	91	31	71
1100	19	69	61	99
■ BRENT CRUDE IPE	**Sep**	**Oct**	**Sep**	**Oct**
1700	87	-	15	43
1750	37	78	37	-
1800	29	54	58	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep) +or-

Dubai	$16.42-6.47w	-0.115
Brent Blend (dated)	$17.47-7.52	-0.115
Brent Blend (Sep)	$17.65-7.70	-0.135
W.T.I. (1pm est)	$19.37-9.39w	-0.160

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$192-194	+4
Gas Oil	$151-152	-1
Heavy Fuel Oil	$100-102	+2
Naphtha	$166-170	-1
Jet fuel	$164-166	-1

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$385.20	+0.50
Silver (per troy oz)♣	529.50c	+3.00
Platinum (per troy oz.)	$416.75	+5.25
Palladium (per troy oz.)	$147.50	+2.10
Copper (US prod.)	119.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.70m	+0.11
Tin (New York)	246.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†Θ	116.40p	-2.77*
Sheep (live weight)†♣Θ	91.86p	-6.61*
Pigs (live weight)Θ	70.67p	-0.38*
Lon. day sugar (raw)	$301.9	-1.1
Lon. day sugar (wte)	$344.0	-2.0
Tate & Lyle export	£309.0	-3.0
Barley (Eng. feed)	£107.5t	
Maize (US No3 Yellow)	$143.5	
Wheat (US Dark North)	£180.0	
Rubber (Aug)♥	98.00p	+0.50
Rubber (Sep)♥	96.00p	+0.50
Rubber KL RSS No1 Aug	343.5m	+6.0
Coconut Oil (Phil)§	$577.5z	-2.6
Palm Oil (Malay.)§	$525.0q	+5.0
Copra (Phil)§	$405	
Soyabeans (US)	£176.0z	
Cotton Outlook 'A' Index	82.70c	+1.20
Wooltops (64s Super)	425p	

[illegible]

Tea

There was good demand for bright Africans which, after a hesitant start, closed at fully firm levels reports the Tea Broker's Association. Mediums met less enquiry and lost 3-5 pence, with plainer sorts irregular and sometimes lower. Brighter Ceylons lost some ground but there was improved competition for poorer types which often gained several pence. Demand improved for brighter Ceylons which were dearer, while Africans ruled fully firm. Price indications for the week: best available 215p/kg, nom, good 156p/kg, good medium 138p/kg, medium 120p/kg, low medium 86p/kg. The highest price realised this week was 215p for a rwanda pd.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

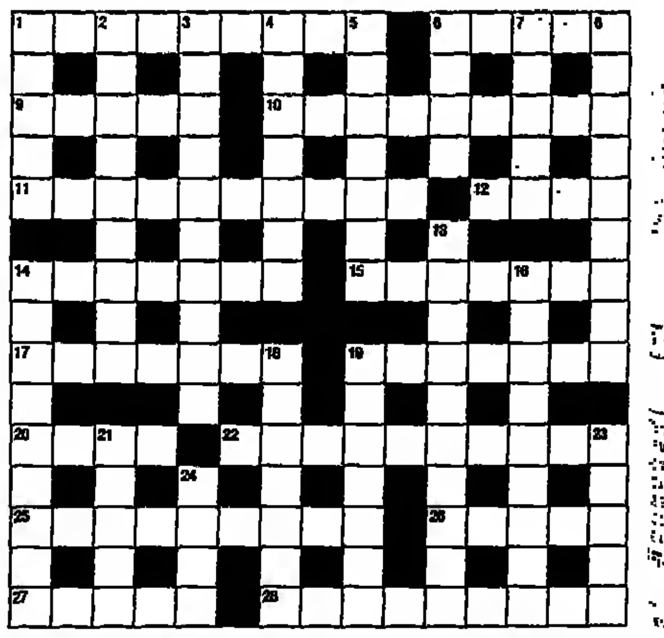
Jul 25	Jul 22	month ago	year ago
2146.4	2156.4	1993.7	1709.2

■ CRB Futures (Base: 4/9/56=100)

Jul 22	Jul 21	month ago	year ago
233.08	232.27	229.06	218.99

CROSSWORD

No.8,515 Set by CINEPHILE



ACROSS

1 See-through food for April – recipe needed (4-5)
6 Breast stroke's beginning inside barrier (5)
9 Tell police about drug? (5)
10 Beast about to work at breast feeding requirement (9)
11 Think over on purpose (10)
12 It's fit for water (4)
14 Change Trades Union Congressman's private room (7)
15 Preliminary study of what the gauge says? (7)
17 Means of access to hotel do, possibly (7)
19 Clam, for example, to second "Vive la revolution!" (7)
20 Branches that can take themselves up? (4)
22 Get on horse to show sign of recovery (5,5)
25 Bury prospect of seeing about a job (9)
26 "Feet first" has some ambiguity (5)
27 Ring where bull's is put for restraint (5)
28 Like a honeycomb supplying galaxy with honey, endlessly (9)

DOWN

1 Fraudulently manipulate identity of stiff? (5)
2 Sentry's objection to measure put up in turn (9)
3 Switch – try and sell worthless object (4,6)
4 Palmer, a rising speaker, looking determined (7)
5 Costly promotion of retired seismologist (7)
6 Nail with awl for cricketing man (4)
7 Nail in Goon's ear (5)
8 Pout, keeping no record of long speech (9)
13 Autumn exercise – circulation expert cut short by scam (10)
14 Comedy's place in the landscape? (9)
16 Douglas's place in a film with one's offspring (4,2,2)
18 Religious dancer's call for silence after Verdi's work (7)
19 Competitive gatherings get bigger, which is good for models (7)
21 Came across or turned up underground (5)
23 Poetically it is going to be fabric (5)
24 Leaves producer in shoe? (4)

Solution to Saturday's prize puzzle on Saturday August 6.
Solution to yesterday's prize puzzle on Monday August 8.

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Shares drift nervously in thin trading volume

By Terry Byland,
UK Stock Market Editor

The prospect of the August holiday beaches, or perhaps of the extended rail strike which starts in the UK this afternoon, appeared to take the heart out of the London stock market yesterday. Trading volume was down by nearly one third from Friday and shares could do little more than drift against a background of weak bond markets.

In early trade, the FT-SE Index lost the 3,100 mark regained so painfully last week and for most of the day the market traded just above this benchmark level. A firmer treod in the US dollar belped the stock market rally towards the close, and the final reading put the FT-SE Index at 3,106.1 for a net loss oo the day of 8.6. The picture was little different across the broader range of shares, the FT-SE Mid 250 Index shedding 6.9 to 3,624.

Many of the big securities bouses were rearranging their trading portfolios ahead of tomorrow's auctioo of £2bn UK government bonds, and this doubtless inhibited their activities in the equity market. Bond markets were also digesting the reminder from the chairman of the Federal Reserve chairman that further rises in US interest rates could yet be needed to curb inflationary pressures.

But the most accurate picture of UK equity trading came from the total of Seaq-reported shares which at only 431.4m was around 30 per cent down on the total for the previous session. Friday's retail business in equities was worth £1.21bn.

The market opened cautiously, keeping a close eye on the US dollar and also influenced by the latest survey of business opinion from the Confederation of British Industry; this indicated that British companies are not convinced that domestic inflation will be kept within the targets set by the UK governmeot.

But, in keeping with the poor trading volume, the market largely failed to develop a convincing trend during early dealings, when It was left to special situation stocks to provide the highlights.

This week is light on economic news, with the latest US gross domestic product statistics, due on Friday, likely to provide the sole focus of attention. The Bundesbank, now into its summer recess, has effectively put its interest rate policy on bold for three weeks.

The initial fall in the Footsie, which took it down by 15.7 to 3,099, reflected a downward lead from stock index futures. Later in the session, the futures cootract settled comfortably above the 3,100 mark, thus underwriting the market at that level, for the time being at least.

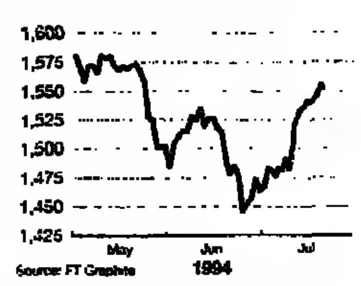
The general absence of eothusiasm opened the way for profit-taking in those sectors which have performed well in recent weeks. Media stocks, in particular, gave ground in relatively narrow markets.

Among the blue chips, dollar stocks found little to encourage them until the very end of the session. Oil shares made little response to the cootinued firmness in crude oil prices as the Nigerian supply stoppage showed no signs of solution.

Although Wellcome continued to respond favourably to last week's trading statement, other pharmaceutical stocks remained nervous, as investors assessed the signs of tightening competitioo in the drugs industry.

Bank stocks, although generally expected to benefit from the improved trading results confidently expected this week, slipped lower yesterday as investors took their lead from the German stock market where financial issues suffered further losses. A lead for the market is likely to come from the interim statement due from ICI on Thursday. The market expects a good increase in profits from ICI, which is still, in spite of the sale of the pbarmaceuticals divisions, regarded as an important leader of industrial Britain.

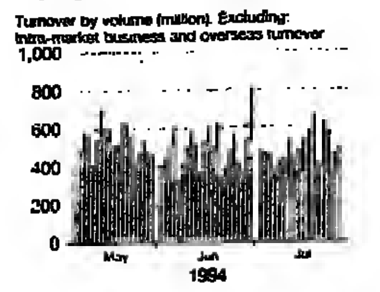
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3106.1	-8.6	FT Ordinary index	2409.9	-13.1
FT-SE Mid 250	3624.0	-6.9	FT-SE-A Non Fins p/e	19.57	(19.62)
FT-SE-A 350	1565.2	-4.0	FT-SE 100 Fut Sep	3127.0	0.0
FT-SE-A All-Share	1552.07	-3.46	10 yr Gilt yield	8.33	(8.38)
FT-SE-A All-Share yield	3.82	(3.81)	Long gilt/equity yld ratio:	2.25	(2.24)

Best performing sectors

1. Tobacco .... +1.8
2. Merchant Banks .... +0.5
3. Extractive Inds .... +0.4
4. Building & Constr .... +0.3
5. Household Goods .... +0.3

Worst performing sectors

1. Telecommunications .... -1.6
2. Water .... -1.1
3. Utilities .... -0.9
4. Leisure & Hotels .... -0.9
5. Food Manufacturers .... -0.8

Switch benefits Wellcome

Pbarmaceutical group Wellcome rose 10 to 644p as it responded to firm US buying with investors said to be switching ont of UK sector leader Glaxo. The move was seen as a response to the positive underlying tone of the most receot interim trading report from Wellcome and the legal problems which bedevil Glaxo.

Wellcome last week reported sales of lts best-selling drug, the anti-herpes treatment Zovirax, ahead 15 per cent in the 10 months to the end of June. However, there had been confusion over the figures as the company had changed lte accounting period to a calendar year end and the shares bad been initially marked down.

Subsequent press comment suggested that, if Wellcome failed to exploit the over-the-counter market for Zovirax, other cash-rich groups might see it as a pteusible takeover target. Glaxo faces the threat of generic competition to its Zantac ulcer drug. The shares fell 6 to 568p in tbe wake of Friday's legal claime and counter claims over the plan by Novopharm of Canada to sell generic Zantec pills based on Form 1 of the medicine.

Lucas rallies

Automotive and aerospace components gronp Lncas Industries rallied from an early fall to close 5 down at 193p, after it denied a US press report claiming it was under criminal investigation regarding inspection of parts for commercial aircraft.

At the day's worst the shares were down 15 at 183p. However, comments from City analyste and a company statement in the second half of the session – saying that "there were and are no quality problems" – helped steady nerves.

Sentimant was furtber 'enhanced by a recommendation from Henderson Crosthwaite, a long-term bull for the shares. Leaving its current year profits estimate at a top of the range £60m, the broker raised its estimate for the following year by £2m to £140m.

In a note on the components sector, Mr Robert Speed at Henderson said: "Lucas remains a recovery situation and the adverse share price reaction to the reports from the US provide a cheap buying opportunity."

Tobacco giant BAT Industries rose 7 to 432p after a batch of broker buy notes ahead of tomorrow's interim figures. S.G. Warburg, James Capel and Nomura were all supporting the shares as the market anticipated profits of between £880m and £920m. Last year the group reported a profit of £902m but tbat included a £123m exceptional profit and analysts have been taking heart from recent figures released by US rival Philip Morris which pointed to a general increase in sales.

High street bank Barclays was weaker than its rivals in the sector as it was announced tbat a German subsidiary Merck, Finck & Co had been named in an investigation by the Frankfurt public prosecutor into press allegations of insidar trading. Tbe sbares closed 3 lighter at 542p.

Improving optimism over the domestic drinks market worked its way into a number of second line brewing and pub stocks.

Cider-maker Merrydown plunged into losses and the final dividend was slashed from 7.0p to 2.5p. Profits were hit by a big restructuring charge. The shares slid 5 to 379p, ex-d.

In a quiet food manufacturing sector, attention was again focused on one of the sector's favourite bid candidates, United Biscuits. However, turnover of just one million was enough to send the share price up 6 at 322p. Cadbury Scbweppes, a wistfully rumoured predator, retreated 9 to 425p.

Adverse press comment hurt Hillsdown, off 3 at 161p. Northern Foods slipped 4 to 202p as NatWest Securities warned of the uncertainties surrounding the shake-up in the UK dairy industry. Unigate lost 2 to 360p.

Weekend press speculation over a bostile bid for William Low, the Scsttish supermarket group under a friendly offer from Tesco, sent the former's shares shooting forward. J Sainsbury remains the market's favourite, being Tesco's biggest rival, uoder-represented in Scotland and baving requested information from Low's regardiog Tesco's offer last week. Low shares ended 13 ahead oo 278p with turnover a hefty 2.6m. Tesco fell 4 to 237p, while Sainsbury added a penny to 406p.

Shares in engineering group GKN and components company T&N also beoefited from the review by Henderson Crosthwaite. The former closed 3 ahead at 627p, after the broker raised its 1995 forecast by £25m to 245m, and the latier put oo 7 to 249p, as Henderson increased its estimate for the following year by £15m to £135m.

Motor distributors were firm in anticipation of good new car registrations for the month of August. Lex Service put on 10 to 474p, abead of today's interim figures, and Cowie firmed 3 to 285p.

Worries over leasing at British Aerospace left the shares trailing 9½ to 512½p.

Blenheim, the exhibitions organiser, was one of the big casualties in the market as the shares responded to a Sunday newspaper article which took a hard hitting approach to the company's performance over the past decade. The shares fell 43 to 257p.

London International Group, the condoms and surgical gloves company, held steady at 85p on relief that the rump of its recent £115.2m rights issue had been successfully placed with institutional investors. S.G. Warburg, the underwriter, placed the remaining at 84p a share 11.7 per ceot, a healthy premium to the issue price of 70p a share.

Last week's improved UK coostruction statistics continued to feed through to selected stocks in the construction and buildiog materials sectors. Among the former, Barratt Developments was helped by a share tip in the weekend press. The shares added 3 to 200p. Amec and Beazer managed rises of 2 to 117p and 163p respectively. Westbury put oo 6 to 174p.

Among materials groups, RMC advanced 3 to 950p as it announced plans to spend £15m over the oext five years upgrading its lime production operations. Elsewbere, Caradon rose 3 to 309p, and Marshalls 3 to 148p.

Recent strengtb among water and electricity utilities was checked by the dull market as regulatory issues, the subject of some optimism last week, were now perceived as more bearish.

South West was the biggest casualty amoog water stocks, tbe sbares dropping 14 to 520p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (29).
BREWERIES (1) Holt (J), BLDG MATLS & MCHTS (1) Grafton, CHEMICALS (1) European Colour, DISTRIBUTORS (1) Finelist, ELECTRNC & ELECT EQUP (1) Nokia Prf, ENGINEERING (1) Thyssen, ENG. VEHICLES (1) UPF, INVESTMENT TRUSTS (5) EFM Japan, Fleming Indian, Gartmore Amer Secs Zero Prf., Melville Street Invs., Throgmtn Dual Tst., LEISURE & HOTELS (2) Boosey & Hawkes, Castle Comms. MEDIA (1) Metro Radio, OIL, INTEGRATED (2) Burmah Castrol, Norsk Hydro, OTHER SERVS & BUSNS (1) Gt Southern, RETAILERS, FOOD (2) Greggs, Low (Wm.), RETAILERS, GENERAL (2) Blacks Leisure, Next, TEXTILES & APPAREL (2) Forminster, Worthington, TRANSPORT (2) Bergesen 'A', National Express.
NEW LOWS (40).
GILTS (1) Treasury 9pc Ln. 1994, BREWERIES (1) Utd Breweries, BUILDING & CNSTRN (1) Lovell (Y.J.), BLDG MATLS & MCHTS (1) Sycamore, CHEMICALS (2) Camerbone, Engelhard, DISTRIBUTORS (1) Holders Tech, DIVERSIFIED INDLS (1) Trafalgar House., ELECTRNC & ELECT EQUP (1) Azlan, ENGINEERING (3) AIM, Billam (J.), Protean, FOOD MANUF (2) Albert Fisher, Kays Food, HEALTH CARE (2) Bespak, Drew Scientific, HOUSEHOLD GOODS (2) Jeyes, Maybom, INSURANCE (1) Angerstein, INVESTMENT TRUSTS (2) M & G Inc Zero Dw Prf., Olim Cv., LEISURE & HOTELS (1) Euro Disney, MEDIA (3) Blenheim, Do. 6.4pc Pf, Hemingron Klionde. OTHER FINANCIAL (1) London Forfaiting. PHARMACEUTICALS (1) Lilly (Eli), PRTNG, PAPER & PACKG (1) Smt. Thornton, PROPERTY (2) Peel Hldgs, Savills, RETAILERS, GENERAL (1) Betterware, SUPPORT SERVS (4) Clinical Computing, Elec. Data Procg., Macro 4, Quality Software Prods, TEXTILES & APPAREL (2) Haggas (J), Parkland, TRANSPORT (1) Dawsongroup, WATER (2) Chesam Group A, Do. a

EQUITY FUTURES AND OPTIONS TRADING

Dealers in derivatives reported a dull and uneventful session which resulted in directionless trading and poor turnover, *writes Joel Kibazo.*

Traders pointed to tha begining of school holidays and tha start of today'a rail strikes among reasons for the poor day in the market.

Having started trading at 3,116, the September futures contract on the FT-SE 100 drifted lower over the next few hours on the back of UK Gilts that were trading easier ahead of tomorrow's auction. Tha underlying cash market followed September lower though dealing activity remained very thin indeed.

The recovery in gilts together with a squeeze in tha last hour of trading brought a turnaround in September. Moving strongly ahead, it touched a peak of 3,128 just ahead of the close, before finishing at 3,127, in line with Friday's close and at a 24 point premium to cash. Volume at 7,478 was very poor.

Activity in the traded options was equally poor and turnover at the close was a mere 18,943 lots, against Friday's total of 41,178 contracts.

The contribution from tha index options was 5,183 lots dealt in the FT-SE 100 option and 2,421 in the Euro FT-SE option. J Sainsbury was the most active stock option with Kleinwort Benson said to have carried out a "roll-over" trade in the stock. Its closing voluma was 1,717.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3116.0	3127.0	-	3133.0	3105.5	7478	50042
Dec	3127.0	3137.5	+0.5	3134.0	3127.5	181	1915

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep	-	3635.0	5.5	-	-	6	4425

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep	6,835.0		636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3103) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	1,300	56¼	-¼
Abbey National†	888	409	+1
Albert Fisher	4,000	44	-1
Allied-Lyons†	345	581	
Anglian Water	247	508	-5
Argos	40	362	+1
Argyll Group†	3,800	269	+1
Arjo Wiggins†	1,100	282	-8
Assoc. Brit. Foods†	450	583	-1
Assoc. Brit. Ports	40	263	+3
BAA†	741	984	+8
BAT Inds.†	3,400	432	+7
BET	2,000	112	-3½
BICC	1,500	402	-8
BOC†	345	740	
BP†	4,500	413	+½
BPB Inds.	1,800	332	-11
BT†	9,200	382	+1
BT (P/Paid)	2,800	263	+½
BTR†	1,800	378½	-½
Bank of Scotland†	2,200	188	+1
Barclays†	6,300	542	-3
Bass†	1,900	552	-6
Blue Circle†	1,900	315	-7
Booker	89	409	-8
Boots†	954	525½	-1½
Bowater†	405	440	-1
Brit. Aerospace†	1,100	502½	-8½
British Airways†	2,000	432	-3
British Gas†	3,300	280	
British Land	306	428	+2
British Steel†	2,500	169½	-1½
Burtzl	461	160	+1
Burmah Castrol†	394	891	+8
Burton	3,700	58	-½
Cable & Wire†	2,800	431	-1
Cadbury Schweppes†	1,300	425	-9
Calor Group	88	286	
Caradon†	881	309	+3
Carlton Comms.†	753	898	-17
Coats Viyella†	1,400	219	
Comm. Union†	468	544	+2
Cookson	300	261	
Courtaulds†	306	527	-3
Dalgety	69	437	
De La Rue†	423	976	-2
Dixons	753	183	-1
Eastern Elect.	810	853	
East Midland Elect.	574	637	+2
Eng China Clays	479	375	
Enterprise Oil†	987	430	-6
Eurotunnel Units	421	283	+3
FKI	487	178	-1
Fisons	128	140	-1
Foreign & Col. I.T.	866	139	-1
Forte†	3,800	226½	+2½
Gen. Accident†	480	605	-4
General Elect.†	5,700	288½	+2
Glaxo†	3,400	568	-6
Glynwed	341	374½	-2½
Granada†	771	531	-1
Grand Met.†	1,800	420	
GUS†	2,200	598	+4
GRE†	781	189	+2
GKN†	843	627	+3
Guinness†	1,800	440	-2
HSBC (75p shs)†	2,200	743	-2
Hammerson	4	347	-1
Hanson†	3,600	260	-1
Harrisons Crosfield	1,300	161	+1
Hays	150	295	
Hillsdown	2,300	161	-3
IMI	580	327	
ICI†	1,300	836	+2
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

FT-SE Actuaries Share Indices — The UK Series

	Jul 25	Day's chge%	Jul 22	Jul 21	Jul 20	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3106.1	-0.3	3114.7	3095.1	3077.2	2844.2	4.02	6.78	17.44	76.15	1166.48
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3215.2	3.41	5.71	21.06	61.01	1342.76
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3227.0	3.55	6.16	19.61	84.52	1340.44
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1423.0	3.88	6.54	16.18	37.60	1202.02
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1633.45	3.06	4.28	30.55	32.98	1407.74
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1632.26	3.26	4.73	26.22	33.81	1387.35
FT-SE-A ALL-SHARE	1552.07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **FT-SE Actuaries All-Share**

[illegible]

■ **Hourly movements**

[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Oct	Jan	Puts Jul	Oct	Jan
Allied-Lyons	540	44½	56½	-	1	6	-
(*581)	580	3	27	-	11	27½	-
Argyll	260	11	23½	29½	1	12	17½
(*268)	280	1	13½	19½	13½	23	28

Option		Calls Aug	Nov	Feb	Puts Aug	Nov	Feb
Hanson	260	6	14½	16	5½	14½	16
(*260)	280	1½	7	10½	22	27½	30½
Lasmo	134	11	17½	-	1¼	6½	-
(*142)	154	1	8½	-	14	16½	-

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	24	37	16
Other Fixed Interest	6	2	13
Mineral Extraction	67	72	61
General Manufacturers	137	102	411
Consumer Goods	45	42	103
Services	105	76	329
Utilities	4	26	15
Financials	87	100	202
Investment Trusts	116	34	316
Others	19	69	41
Totals	554	554	1531

Data based on those companies listed on the London Share Service

TRADITIONAL OPTIONS

Calls: Aminex, Cons Murchison, Division Grp, Flagstone, Glaxo, LBMS, Tullow Oil. Puts: Aminex.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21	+⅛	£28	£20	6,328	5.2	ф
ANZ A$		199½	–¼	278¾	179¾	2,953	4.8	29.4
Abbey National	N□	400	+1	523	381	5,398	4.3	13.7
Allied Irish I£	♣N□	266	—	314	234	1,668	4.9	3.8
Anglo Irish I£	♣N□	59	—	*70	50	203.8	7.3	10.8
Asahi Y		785¼	–16	819¼	628	77,770	0.8	ф
Banco Bil Viz Pta		£15	+⅛	£18	£14½	3,481	5.8	6.6
Banco Sant Pta		£30¼	—	*£30½	£23¾	4,809	4.7	16.6
Bk Ireland I£	♣□	280	—	*379	246	1,323	4.7	8.1
Bank Scotland	♣N□	198	–1	247	172½	2,168	3.4	15.2
9¼pc Pf		118	+¼	141½	114	118.0	8.8	–
9¾pc Pf		122½	–¼	146½	119¼	122.5	6.9	–
Barclays	♣N□	542	–3	640	467	8,818	3.5	22.5
Dai Ichi Kan Y		£11	–⅛	£12	£10	35,941	6.6	66.8
Deutsche DM		£298⅝	–2	£344¼	£270	14,218	2.3	–
Espirito Santo		£18¼	–¼	£26	217	200.4	4.2	4.6
First Nat Fin	N□	69xd	—	*90	60	109.5	2.8	–
6.3pc Cv Pf		78xd	—	*90	77	5.24	16.1	–
7pc Cv Pf		129xd	—	171	123	81.2	6.8	–
Fuji Bank Y		1472½	–4¾	1549¼	1162½	42,689	0.4	ф
HSBC HK	N□	758	–2	1133	680	13,266	3.9	11.8
HSBC (75p Shs)	N□	743	–2	1113	660	8,398	4.0	10.8
Lloyds	N□	560	—	660	519	7,340	4.9	11.8
Mitsubishi Y		£17	+⅛	21	215	48,946	0.3	ф
Mits Tst & Bk Y		1036¼	–37¾	1162¼	887½	12,418	0.5	15.3
Mitsui Tst & Bk Y		746	–16½	879	514	8,937	0.9	24.2
Nat Aust A$	†	531xd	–¼	620¼	469¾	7,165	5.4	10.9
NatWest	N□	465	+1	622	421	7,737	8.8	10.9
Ottomane FFr		£23½	—	233	£23½	117.6	6.2	ф
Ryl Bk Scotland	♣†N□	380	—	528	377½	3,112	3.6	17.8
Sakura Y		£8	–⅛	£9	£8	29,321	6.8	52.5
Sanwa Y		£13	–⅛	£15⅛	£11⅞	38,726	0.4	ф
Standard Chartd	N□	254	–1	*358¼	223	2,440	0.9	11.1
7 3/8pc Pf		93¼	+¼	108½	89¼	93.2	9.0	–
Sumitomo Y		£12	–⅛	£16¼	£11½	40,167	6.4	26.2
Sumitomo Tst Y		877	–11	1148½	625	12,181	0.6	ф
TSB	†N□	206	+2	261	197	3,181	6.6	10.2
Tokai Y		£8¼	–¼	£9	£6	17,180	6.7	50.8
Toyo Tst & Bk Y		769	–20	862	586¼	6,043	6.7	65.4
Westpac A$		229	+1	260	194	4,166	2.4	ф
Yasuda Tst Bk Y	‡	601¼	+¾	658	442	6,633	0.9	51.1

BREWERIES

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	5	—	10¼	4¾	18.8	–	–
Bass	†N□	552xd	–5	619	485	4,813	4.7	14.4
Boddington	N□	271	—	298	250	328.7	3.7	15.1
Burtonwood	N	174xd	—	196	183	38.2	3.5	ф
Eldridge Pope A	♣†N	150xd	—	181	148	28.2	3.9	30.8
Fosters A$		63¼	—	66	48¾	1,718	5.5	61.1
Fuller STA	♣N	420xd	—	483	420	85.7	2.3	ф
Gibbs Mew	♣♣N	382	+1	423	373	25.2	2.8	ф
Greenalls	♣†N□	423	–2	541	399	883.6	5.7	16.2
Greene King	N□	475xd	+2	584	452	200.9	3.4	ф
Grosvenor Inns	♣♣†	135	+1	*165	124	17.8	4.2	20.4
Holt (J)	N	2503	+5	2503	2125	106.1	1.7	19.7
Kirin Y		783¼	–16	824¼	674	6,249	8.0	26.3

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27	—	£27½	£13½	1,780	2.7	19.7
Barlow	Z	£4⅝	—	£5¹¹⁄₁₆	£3⅛	908.7	8.7	–
Gold Flds Prop R		113	—	113	78	11.8	8.8	16.0
MK Props	a	85	—	95	85	3.42	16.5	34.9
SASOL	♥	389	—	393	280	2,204	4.0	–
SA Brews		£12⅛	—	£15⅛	£10	3,405	2.2	30.1
Tiger Oats	†	650	—	538	538	977.4	2.4	13.7
Tongaat-Hulett		699	—	*739¼	427½	523.3	2.3	18.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- [illegible] USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2972. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-606 0462

Woolwich Unit Trust Managers Ltd (1700)H
9 White Oak Square, Swanley BR8 7AG 081-298 4000

Fund	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Stockmarket Fd	0	77.83	77.88	82.82	-0.04	1.89

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Century Life International Ltd

Eagle Star Intl Life

Scottish Provident Group

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

DBS Financial Management Ltd

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Baring International Fd Managers (Ireland) Ltd

Coutts & Co Fund Managers Limited

IRELAND (REGULATED)(**)

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Morgan Grenfell Profunds Plc

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Gartmore Fund Mngrs Intl Ltd

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Worldinvest (Managers) Jersey Ltd

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (u)

American Phoenix Investment Portfolios (u)

BAII Intermarket Fund

Bank Von Ernst & Cie AG

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

Henderson Management SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Markets watch Quebec

The announcement that the Canadian province of Quebec goes to the polls on September 12 yesterday provided a distraction from the market's recent pre-occupation with the dollar, *writes Philip Gawith.*

Apart from focusing attention on Canadian economic fundamentals, it has also forced investors to consider the implications of a victory by the separatist Parti Quebecois, which is favoured to win.

The Canadian dollar initially opened weaker on the news, but later recovered to finish in London at C$1.3786 against the US dollar, from C$1.3782 on Friday.

The US dollar traded in a fairly narrow range, with markets waiting for the release on Friday of the second quarter GDP estimate. Against the D-Mark, it closed at DM1.5849 from DM1.576. Against the yen, it closed at Y98.75 from Y98.6850.

Trading on the foreign exchanges was, in general, very quiet with an absence of data or events to help the market rise above mid-summer torpor. In Europe, the D-Mark turned in a mixed performance. It finished slightly lower against the French franc at FFr3.417 from FFr3.421.

Amid a market holiday in Spain and thin trade, the Portuguese escudo was fixed at midday at Es102.572, its highest fixing since April 22.

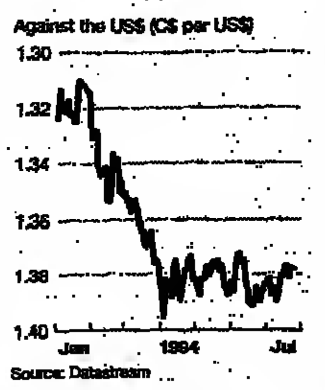
Sterling also had a quiet day with no news to trade off and no fresh lead from the dollar which has set the scene for the pound in recent weeks. It closed at DM2.4315 against the D-Mark from DM2.4231. Against the dollar, it finished at $1.5342 from $1.5375.

The CBI's industrial trends survey today will be closely watched for information about price expectations and capacity utilisation which could influence the monthly monetary meeting later this week.

■ The Parti Quebecois in Canada is committed to hold a referendum on secession within 10 months if it wins the election. Although opinion polls suggest that the people of Quebec are not yet ready to secede, there are rumblings that richer states like Alberta and British Columbia might break away.

Canadian dollar

Against the US$ (C$ per US$)



Source: Datastream

■ **Pound in New York**

Jul 25	—Latest—	— Prev. close —
£ spot	1.5365	1.5275
1 mth	1.5356	1.5267
3 mth	1.5349	1.5259
1 yr	1.5310	1.5225

While these scenarios remain highly speculative in the short-term, they are likely to unsettle the currency during the election campaign. Already Canadian interest rates include a substantial risk premium and the Canadian dollar has remained the weakest of the G7 currencies.

Allied to political uncertainty have been fears about the size of the budget deficit. Chase Manhattan bank estimates that the central government budget deficit to be 6.3 per cent of GDP in 1994. Against this, however, must be set a commendable inflation record which has actually seen recent falls in year-on-year consumer prices, and benefits to be had from rising commodity prices.

Despite these, analysts do not rule out a re-testing of the all-time low of C$1.445/US$ ahead of the election, with a possible recovery to C$1.30 in the following twelve months. The Canadian currency was trading at C$1.32 at the beginning of the year.

■ Two factors which bore on sentiment towards the dollar were fears that the German interest rate cycle might have bottomed, and the resurgence of the US-Japan trade dispute.

Professor Herbert Hax, one of the German government's most senior economic advisers, said over the weekend that further cuts in German interest rates were unnecessary.

With the Sunday deadline for progress in US-Japan trade procurement talks, markets have again started to worry about the dollar becoming a casualty of lack of progress in these discussions.

Mr Peter Luxton, economist at Barclays in London, said the dollar was likely to trade in a narrow range ahead of Friday's GDP data. The data is seen as a key indicator for Fed policy, but the wide range of estimates has left the market uncertain about the dollar's next move.

In the absence of other things to think about, the start today of Whitewater hearings before the House banking committee could cause the dollar to weaken. Whitewater refers to a set of real estate transactions in Arkansas where President Clinton and his wife have been linked to alleged improprieties.

The dollar received a fillip from comments from US commerce secretary Mr Ron Brown that the US wanted to see resolution in all areas of trade with Japan.

■ German call money remained firm at 4.85/4.95 per cent as banks started to consider the implications of an impending fixed rate repo tender, with the rate set at 4.85 per cent for the next four tenders. There are fears that banks' cash requirements will only be partially met.

The Bank of England provided £309m assistance to UK money markets after forecasting a £700m shortage. Overnight money traded between 4% and 6½ per cent.

Trade in the futures markets was very quiet. The December eurosterling contract closed at 93.88 from 93.91, while the December euromark contract finished unchanged at 95.01. The December eurodollar contract retreated slightly from 94.15 on Friday to finish at 94.09.

■ **OTHER CURRENCIES**

Jul 25	£	$
Hungary	156.136 - 156.340	101.790 - 101.890
Iran	2681.00 - 2685.00	1748.00 - 1750.00
Kuwait	0.4563 - 0.4577	0.2975 - 0.2983
Poland	34742.8 - 34830.9	22650.0 - 22700.0
Russia	3145.10 - 3151.25	2050.00 - 2054.00
U.A.E.	5.6208 - 5.6320	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 25		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1050	-0.0745	984 - 116	17.2212	17.0853	17.1007	0.3	17.0888	0.4	-	-	114.9
Belgium	(BFr)	50.0440	-0.1339	281 - 598	50.3290	49.9830	50.039	0.1	50.084	-0.3	50.084	-0.1	116.3
Denmark	(DKr)	9.5466	-0.0174	423 - 490	9.5910	9.5307	9.553	-0.8	9.5681	-0.9	9.6131	-0.7	116.8
Finland	(FM)	8.0422	-0.0137	332 - 512	8.0730	8.0330	-	-	-	-	-	-	82.1
France	(FFr)	8.3107	-0.0296	087 - 126	8.3441	8.3050	8.3141	-0.5	8.3186	-0.4	8.3009	0.1	109.6
Germany	(DM)	2.4315	-0.0064	306 - 323	2.4411	2.4272	2.4311	0.2	2.4302	0.2	2.4094	0.9	125.3
Greece	(Dr)	367.046	-1.496	756 - 335	369.516	366.750	-	-	-	-	-	-	-
Ireland	(I£)	1.0120	-0.0023	110 - 129	1.0159	1.0104	1.0124	-0.5	1.0133	-0.5	1.0168	-0.5	104.2
Italy	(L)	2419.38	-0.88	819 - 052	2429.00	2416.01	2426.06	-3.3	2438.21	-3.1	2491.46	-3.0	76.2
Luxembourg	(LFr)	50.0440	-0.1339	281 - 598	50.3290	49.9830	50.039	0.1	50.084	-0.3	50.084	-0.1	116.3
Netherlands	(Fl)	2.7245	-0.0111	233 - 257	2.7414	2.7210	2.7241	0.2	2.7226	0.3	2.702	0.8	120.3
Norway	(NKr)	10.5973	-0.0281	940 - 006	10.6355	10.5792	10.5943	0.3	10.6048	-0.3	10.5906	0.1	88.5
Portugal	(Es)	248.763	-1.21	645 - 880	250.717	248.642	250.493	-8.3	253.673	-7.8	-	-	-
Spain	(Pta)	200.092	-0.941	944 - 239	201.822	199.940	200.537	-2.7	201.397	-2.6	204.377	-2.1	86.1
Sweden	(SKr)	11.9709	-0.0091	632 - 786	12.0715	11.9603	11.9924	-2.2	12.0429	-2.4	12.2634	-2.4	73.6
Switzerland	(SFr)	2.0611	-0.0047	600 - 622	2.0677	2.0599	2.0586	0.9	2.0564	0.8	2.0323	1.4	119.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.1
Ecu	-	1.2698	-0.0046	694 - 703	1.2768	1.2694	1.2708	-0.9	1.2721	-0.7	1.2734	-0.3	-
SDR†	-	0.945767	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5327	+0.0069	324 - 330	1.5350	1.5292	-	-	-	-	-	-	-
Brazil	(R)	1.4352	+0.0035	342 - 362	1.4362	1.4340	-	-	-	-	-	-	-
Canada	(C$)	2.1149	+0.0094	142 - 156	2.1230	2.1079	2.1163	-0.8	2.12	-1.0	2.1471	-1.5	86.2
Mexico	(New Peso)	5.2244	+0.023	205 - 283	5.2375	5.2135	-	-	-	-	-	-	-
USA	($)	1.5342	+0.0062	339 - 344	1.5365	1.5306	1.5333	0.7	1.5326	0.4	1.5292	0.3	63.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0639	+0.0026	628 - 649	2.0682	2.0596	2.0638	0.0	2.0652	-0.3	2.0834	-0.9	-
Hong Kong	(HK$)	11.8518	+0.047	491 - 545	11.8688	11.8253	11.8479	0.4	11.8468	0.2	11.8538	0.0	-
India	(Rs)	48.1244	+0.2231	108 - 380	48.1960	48.0150	-	-	-	-	-	-	-
Japan	(Y)	151.498	+0.658	396 - 599	151.850	150.740	151.116	3.0	150.353	3.0	146.358	3.4	191.8
Malaysia	(M$)	3.9750	+0.0165	728 - 772	3.9806	3.9642	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5385	+0.0144	370 - 400	2.5416	2.5327	2.5424	-1.8	2.5502	-1.8	2.5724	-1.3	-
Philippines	(Peso)	40.4249	+0.1633	348 - 150	40.8150	39.8725	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7536	+0.0234	523 - 549	5.7620	5.7405	-	-	-	-	-	-	-
Singapore	(S$)	2.3154	+0.0056	142 - 165	2.3188	2.3105	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.8710	+0.0187	678 - 742	5.8781	5.8574	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0111	+0.9131	946 - 276	7.0281	6.9943	-	-	-	-	-	-	-
South Korea	(Won)	1231.69	+5.58	126 - 212	1233.35	1228.70	-	-	-	-	-	-	-
Taiwan	(T$)	40.8084	+0.068	250 - 919	40.8974	40.7238	-	-	-	-	-	-	-
Thailand	(Bt)	38.3384	+0.1243	168 - 600	38.3820	38.2780	-	-	-	-	-	-	-

†SDR rate for Jul 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 25		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	11.1495	-0.094	470 - 520	11.1930	11.1410	11.1522	-0.3	11.1458	0.1	11.0678	0.7	103.9
Belgium	(BFr)	32.6200	-0.225	150 - 250	32.8400	32.5750	32.64	-0.7	32.6775	-0.7	32.74	-0.4	105.4
Denmark	(DKr)	6.2223	-0.0387	213 - 233	6.2451	6.2165	6.2283	-1.2	6.2393	-1.1	6.2763	-0.9	105.0
Finland	(FM)	5.2421	-0.0302	371 - 471	5.2709	5.2364	5.2451	-0.7	5.2476	-0.4	5.2886	-0.6	78.6
France	(FFr)	5.4171	-0.0414	167 - 175	5.4440	5.4097	5.4219	-1.1	5.4278	-0.8	5.4056	0.2	105.8
Germany	(D)	1.5849	-0.0106	846 - 852	1.5920	1.5825	1.5856	-0.5	1.5856	-0.2	1.5758	0.6	106.2
Greece	(Dr)	239.250	-1.95	100 - 400	240.500	239.100	239.6	-1.8	240.37	-1.8	243.75	-1.9	69.0
Ireland	(I£)	1.5160	+0.0096	148 - 172	1.5179	1.5093	1.5148	0.9	1.5126	0.9	1.5037	0.8	-
Italy	(L)	1577.00	-6.95	650 - 750	1584.20	1574.53	1582.05	-3.8	1590.85	-3.5	1629	-3.3	76.7
Luxembourg	(LFr)	32.6200	-0.22	150 - 250	32.8400	32.5750	32.64	-0.7	32.685	-0.8	32.74	-0.4	105.4
Netherlands	(Fl)	1.7759	-0.0145	754 - 764	1.7885	1.7745	1.7764	-0.4	1.7753	0.1	1.7682	0.4	105.1
Norway	(NKr)	6.9076	-0.0464	066 - 086	6.9369	6.9010	6.9111	-0.6	6.9156	-0.5	6.8911	0.2	96.4
Portugal	(Es)	162.150	-1.45	100 - 200	163.130	162.100	163.38	-9.1	165.42	-8.1	172.55	-6.4	94.2
Spain	(Pta)	130.425	-1.145	350 - 500	131.250	130.350	130.79	-3.4	131.445	-3.1	133.816	-2.6	80.8
Sweden	(SKr)	7.8030	-0.0376	992 - 067	7.8739	7.7982	7.82	-2.8	7.8565	-2.7	8.011	-2.7	78.5
Switzerland	(SFr)	1.3435	-0.0085	430 - 440	1.3492	1.3420	1.3432	0.3	1.3418	0.5	1.3283	1.1	105.4
UK	(£)	1.5342	+0.0062	339 - 344	1.5365	1.5306	1.5333	0.7	1.5326	0.4	1.5292	0.3	87.6
Ecu	-	1.2082	+0.0093	079 - 084	1.2091	1.1995	1.2067	1.4	1.2046	1.2	1.2185	-0.7	-
SDR†	-	1.44811	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9991	+0.0005	990 - 991	0.9993	0.9985	-	-	-	-	-	-	-
Brazil	(R)	0.9355	-0.0015	350 - 360	0.9360	0.9350	-	-	-	-	-	-	-
Canada	(C$)	1.3786	+0.0006	783 - 788	1.3837	1.3780	1.3802	-1.4	1.3834	-1.4	1.4044	-1.9	82.6
Mexico	(New Peso)	3.4054	+0.0012	034 - 074	3.4082	3.4030	3.4064	-0.4	3.4082	-0.3	3.4156	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3453	-0.0038	448 - 457	1.3483	1.3441	1.3456	-0.2	1.3463	-0.3	1.3536	-0.6	87.8
Hong Kong	(HK$)	7.7253	-0.0006	248 - 258	7.7283	7.7242	7.7251	0.0	7.7258	0.0	7.7408	-0.2	-
India	(Rs)	31.3688	+0.0188	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	98.7500	+0.03	000 - 000	98.8200	98.4100	98.545	2.5	98.1	2.6	95.895	3.1	152.3
Malaysia	(M$)	2.5910	+0.0003	900 - 920	2.5920	2.5883	2.5819	4.3	2.5705	3.2	2.644	-2.0	-
New Zealand	(NZ$)	1.6547	+0.0027	540 - 554	1.6562	1.6540	1.6556	-0.7	1.6575	-0.7	1.6626	-0.5	-
Philippines	(Peso)	26.3500	-	000 - 000	26.6000	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0001	501 - 506	3.7506	3.7501	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5092	-0.0025	087 - 097	1.5105	1.5080	1.5079	1.1	1.506	0.9	1.4992	0.7	-
S Africa (Com.)	(R)	3.8965	-0.0028	950 - 980	3.8985	3.6888	3.712	-5.0	3.7403	-4.7	3.917	-3.3	-
S Africa (Fin.)	(R)	4.5700	-0.01	600 - 800	4.5850	4.5600	4.6037	-8.9	4.6625	-8.1	-	-	-
South Korea	(Won)	802.850	+0.4	700 - 000	803.000	802.500	805.85	-4.5	809.35	-3.2	827.85	-3.1	-
Taiwan	(T$)	26.6000	-0.0848	500 - 500	26.6500	26.5490	26.62	-0.9	26.66	-0.8	-	-	-
Thailand	(Bt)	24.9900	-0.02	800 - 000	25.0000	24.9800	25.0625	-3.5	25.19	-3.2	25.67	-2.7	-

†SDR rate for Jul 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 22. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 25		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.08	16.61	4.860	2.022	4834	5.446	21.18	497.2	399.9	23.92	4.119	1.998	4.227	3.066	302.8	2.538
Denmark	(DKr)	52.42	10	8.706	2.548	1.060	2534	2.855	11.10	260.6	209.6	12.54	2.159	1.048	2.216	1.607	158.7	1.330
France	(FFr)	60.21	11.49	10	2.926	1.218	2911	3.279	12.75	299.4	240.8	14.40	2.480	1.203	2.545	1.846	182.3	1.528
Germany	(DM)	20.58	3.925	3.417	1	0.416	994.7	1.120	4.359	102.3	82.28	4.922	0.847	0.411	0.870	0.631	62.29	0.522
Ireland	(I£)	49.45	9.433	8.212	2.403	1	2390	2.693	10.47	245.8	197.7	11.83	2.037	0.988	2.090	1.516	149.7	1.255
Italy	(L)	2.069	0.395	0.344	0.191	0.042	100.	0.113	0.438	10.29	8.272	0.495	0.085	0.041	0.087	0.063	6.263	0.053
Netherlands	(Fl)	18.36	3.503	3.050	0.892	0.371	887.7	1	3.890	91.30	73.43	4.393	0.756	0.367	0.776	0.563	55.60	0.466
Norway	(NKr)	47.21	9.006	7.841	2.294	0.955	2282	2.571	10	234.7	188.9	11.29	1.944	0.943	1.995	1.447	142.9	1.198
Portugal	(Es)	20.11	3.837	3.340	0.977	0.407	972.3	1.095	4.260	100.	80.43	4.811	0.828	0.402	0.850	0.617	60.89	0.510
Spain	(Pta)	25.01	4.771	4.153	1.215	0.506	1209	1.362	5.297	124.3	100.	5.982	1.030	0.500	1.057	0.767	75.71	0.635
Sweden	(SKr)	41.80	7.975	6.943	2.032	0.845	2021	2.277	8.856	207.8	167.2	10	1.722	0.836	1.767	1.282	126.6	1.061
Switzerland	(SFr)	24.28	4.632	4.033	1.180	0.491	1174	1.322	5.143	120.7	97.09	5.808	1	0.485	1.026	0.744	73.51	0.616
UK	(£)	50.04	9.546	8.311	2.432	1.012	2418	2.725	10.60	248.8	200.1	11.97	2.061	1	2.115	1.534	151.5	1.270
Canada	(C$)	23.66	4.513	3.930	1.150	0.478	1144	1.288	5.012	117.8	94.81	5.660	0.974	0.473	1	0.725	71.63	0.600
US	($)	32.62	6.223	5.419	1.585	0.660	1577	1.776	6.910	162.2	130.4	7.803	1.344	0.652	1.379	1	98.76	0.828
Japan	(Y)	330.3	63.01	54.86	16.05	6.680	15967	17.98	69.97	1642	1321	79.01	13.60	6.601	13.96	10.13	1000.	8.383
Ecu		39.40	7.517	6.544	1.915	0.797	1905	2.146	8.346	195.9	157.8	9.425	1.623	0.787	1.666	1.208	119.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Jul 25	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15393	-0.00105	-1.95	4.66	-
Belgium	40.2123	39.5446	-0.0021	-1.66	4.35	12
Germany	1.94964	1.92046	-0.00075	-1.50	4.18	-
Ireland	0.808628	0.798589	+0.000475	-1.24	3.91	9
France	6.53883	6.56761	-0.00014	0.44	2.17	-4
Denmark	7.43679	7.53871	+0.00795	1.37	1.23	-8
Portugal	192.854	196.769	-0.263	2.03	0.58	-14
Spain	154.250	158.287	+0.028	2.62	0.00	-19
NON ERM MEMBERS						
Greece	264.513	290.291	-0.117	6.75	-6.50	-
Italy	1793.19	1910.81	+5.54	6.56	-3.70	-
UK	0.786749	0.788148	-0.000534	0.19	2.44	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6276	0.6301	+0.0048	0.6314	0.6275	48,108	82,811
Dec	0.6292	0.6307	+0.0049	0.6319	0.6292	418	3,653
Mar	-	0.6273	-0.0033	-	-	19	1,061

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0180	1.0167	+0.0016	1.0200	1.0161	26,846	68,764
Dec	1.0243	1.0240	+0.0014	1.0258	1.0240	466	6,341
Mar	-	1.0330	-	1.0330	-	224	1,005

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.450	8.14	8.16	8.37	-	0.11	0.35
1.475	5.73	5.98	6.35	0.19	0.36	0.75
1.500	3.43	4.04	4.52	0.81	0.84	1.40
1.525	1.61	2.46	3.01	2.23	1.72	2.36
1.550	0.53	1.33	1.93	4.24	3.07	3.66
1.575	0.10	0.64	1.16	6.52	4.86	5.34

Previous day's vol., Calls 885,132 Puts 532,111. Prev. day's open int., Calls 75,511 Puts 75,692

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7416	0.7440	+0.0060	0.7453	0.7404	23,152	37,847
Dec	0.7434	0.7457	+0.0071	0.7468	0.7434	253	1,094
Mar	-	0.7486	-	0.7486	-	3	12

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5292	1.5330	+0.0072	1.5358	1.5292	14,887	30,068
Dec	1.5300	1.5340	+0.0066	1.5350	1.5300	115	813
Mar	1.5350	1.5350	+0.0100	1.5350	1.5350	3	152

WORLD INTEREST RATES

MONEY RATES

July 25	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5	5⅛	5¼	5¾	6	7.40	4.50	-
week ago	4⅞	5⅛	5⅜	6¼	6⅛	7.40	4.50	-
France	5⅝	5½	6⅛	5¾	5⅞	6.10	-	6.75
week ago	5⅝	5½	5⅜	5⅞	6⅛	5.10	-	6.75
Germany	4.95	4.92	4.92	4.92	5.03	6.00	4.50	4.85
week ago	4.85	4.92	4.85	4.90	4.95	6.00	4.50	4.91
Ireland	5	5⅜	5¾	6⅛	6½	-	-	6.25
week ago	5	5⅜	5¾	6⅛	6½	-	-	6.25
Italy	8⅛	8⅜	8⅛	8⅞	9⅜	-	7.00	8.05
week ago	8⅛	9⅛	8⅜	8⅞	8⅝	-	7.00	8.15
Netherlands	4.85	4.88	4.91	5.02	5.21	-	5.25	-
week ago	4.85	4.89	4.87	4.99	5.16	-	5.25	-
Switzerland	4⅛	4⅜	4⅜	4⅞	4⅝	6.625	3.50	-
week ago	4	4⅜	4⅜	4⅝	4⅜	6.625	3.50	-
US	4⅜	4⅝	4⅞	5⅛	5⅝	-	3.50	-
week ago	4⅜	4⅝	4⅞	5⅛	5⅝	-	3.50	-
Japan	2	2⅛	2¼	2¼	2½	-	1.75	-
week ago	2	2⅛	2⅛	2¼	2⅝	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	4½	4⅞	5¼	5¾	-	-	-
week ago	-	4½	4¾	5⅜	5⅞	-	-	-
US Dollar CDs	-	4.27	4.63	5.00	5.55	-	-	-
week ago	-	4.27	4.63	4.90	5.45	-	-	-
SDR Linked Ds	-	3½	3⅜	3¾	4	-	-	-
week ago	-	3½	3⅜	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅜; 3 mths: 5⅞; 6 mths: 6; 1 year: 6¼. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 25	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 4⅞	5⅛ - 4⅞	5¼ - 5⅛	5½ - 5⅜	5⅞ - 5¾	6⅛ - 6
Danish Krone	5⅜ - 5⅛	5¾ - 5½	5⅞ - 5⅝	6¼ - 6	6⅝ - 6⅜	6⅞ - 6⅝
D-Mark	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5⅜ - 5⅛
Dutch Guilder	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4¾	4⅞ - 4¾	5 - 4⅞	5⅛ - 5¼
French Franc	5⅝ - 5⅜	5⅝ - 5⅜	5½ - 5⅜	5⅝ - 5½	5⅞ - 5⅝	9 - 5⅞
Portuguese Esc.	12⅛ - 11⅞	11⅞ - 11⅝	12⅛ - 12⅛	12⅜ - 12⅛	12⅜ - 12⅛	12¼ - 11¾
Spanish Peseta	7⅝ - 7⅛	7⅝ - 7⅛	7⅞ - 7⅝	7⅞ - 7¾	8⅜ - 8	8½ - 8⅜
Sterling	5⅝ - 5⅛	5⅜ - 5⅛	5⅜ - 5⅜	5⅝ - 5⅜	5½ - 5¾	6¼ - 6⅛
Swiss Franc	4⅛ - 4	4⅛ - 4	4¼ - 4⅛	4⅜ - 4⅜	4⅝ - 4⅜	4⅞ - 4¾
Can. Dollar	5¼ - 5	5⅜ - 5⅜	5⅞ - 5⅝	6⅛ - 5⅞	6¾ - 6⅝	7⅜ - 7½
US Dollar	4¼ - 4⅛	4⅜ - 4⅛	4½ - 4⅜	4⅞ - 4¾	5¼ - 5⅛	5⅞ - 5¾
Italian Lira	9 - 7½	8¼ - 8⅛	8⅜ - 8⅛	8⅜ - 8⅜	8⅞ - 8⅝	9⅜ - 9⅛
Yen	2⅛ - 2	2⅛ - 2	2⅛ - 2	2⅛ - 2⅛	2¼ - 2⅛	2½ - 2⅜
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4⅞ - 4⅝	4⅝ - 4⅝	5⅜ - 5¼	5⅞ - 5⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.34	94.36	+0.91	94.36	94.33	11,840	49,008
Dec	94.23	94.21	-0.03	94.23	94.16	8,470	35,336
Mar	94.06	94.03	-0.03	94.06	93.97	2,837	31,457
Jun	93.75	93.82	-0.02	93.82	93.75	1,300	23,578

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	94.78	-0.01	-	-	0	2959
Dec	94.07	94.09	-0.02	94.07	94.07	100	1873
Mar	93.82	93.85	-0.02	93.82	93.82	200	1334
Jun	-	93.54	-0.03	-	-	0	350

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.09	95.10	-0.01	95.11	95.08	16754	173362
Dec	94.99	95.01	-	95.02	94.97	29182	187550
Mar	94.78	94.81	-0.01	94.82	94.74	22817	156373
Jun	94.51	94.56	-0.01	94.57	94.48	12316	94228

■ **THREE MONTH EUROLIRA INT. RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.34	91.34	-	91.35	91.27	2933	31494
Dec	91.00	91.06	-0.03	91.07	91.00	1089	47770
Mar	90.82	90.67	-0.91	90.69	90.62	516	12977
Jun	90.16	90.20	-0.08	90.20	90.17	256	10692

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.64	95.66	+0.02	95.66	95.61	2728	23419
Dec	95.44	95.49	+0.03	95.49	95.43	1099	9514
Mar	95.24	95.28	+0.02	95.29	95.23	368	9928
Jun	94.96	94.98	+0.06	94.98	94.96	13	2351

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.99	93.98	-0.02	94.00	93.96	879	11068
Dec	93.73	93.75	-0.03	93.77	93.73	696	8703
Mar	93.51	93.52	-0.04	93.54	93.49	192	4487
Jun	93.22	93.24	-0.04	93.24	93.20	95	1101

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.78	94.78	-	94.79	94.76	67,468	439,936
Dec	94.07	94.09	-	94.10	94.07	131,671	430,353
Mar	93.82	93.85	+0.01	93.85	93.82	91,427	328,632

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.22	95.23	-	95.23	95.21	1,441	21,429
Dec	94.85	94.86	-0.01	94.86	94.84	527	9,637
Mar	-	94.39	-	-	94.39	34	1,921

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
9500	0.11	0.14	0.14	0.19	0.01	0.04	0.13	0.18
9525	0.01	0.03	0.04	0.09	0.16	0.18	0.28	0.33
9550	0	0.01	0.02	0.04	0.40	0.41	0.51	0.53

Est. vol. total, Calls 8063 Puts 2055. Previous day's open int., Calls 238990 Puts 187694

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9550	0.21	0.21	0.26	0.06	0.22	0.50
9575	0.08	0.10	0.19	0.17	0.36	0.66
9600	0.03	0.05	0.12	0.37	0.56	0.84

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1205 Puts 1375

UK INTEREST RATES

LONDON MONEY RATES

Jul 25	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4¾	5¼ - 5	5⅜ - 5⅛	5⅝ - 5⅜	5⅞ - 5⅞	6¼ - 6⅛
Sterling CDs	-	-	5⅛ - 5⅛	5⅝ - 5⅛	5⅞ - 5⅞	6⅛ - 9
Treasury Bills	-	-	5 - 4⅞	5⅛ - 4⅞	-	-
Bank Bills	-	-	5⅛ - 4⅞	5⅛ - 5	5⅝ - 5¼	-
Local authority deps.	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅞ - 5⅝	5⅞ - 5⅞
Discount Market deps	5⅜ - 5⅛	5⅜ - 5⅛	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.9646pc. ECGD fixed rate Stg. Export Finance. Make up day June 30, 1994. Agreed rate for period Jul 26, 1994 to Aug 23, 1994, Schemes II & III 6.44pc. Reference rate for period Jun 1, 1994 to June 30, 1994, Schemes IV & V 5.1870pc. Finance House Base Rate 5½pc from July 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.56	94.57	+0.01	94.58	94.55	8720	107168
Dec	93.86	93.88	-0.03	93.90	93.85	9309	139431
Mar	93.28	93.27	-0.04	93.29	93.23	5607	93780
Jun	92.71	92.71	-0.05	92.73	92.68	2172	51237

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9450	0.14	0.06	0.06	0.07	0.68	1.29
9475	0.03	0.03	0.03	0.21	0.90	1.51
9500	0	0.01	0.02	0.43	1.13	1.75

Est. vol. total, Calls 2000 Puts 1420. Previous day's open int., Calls 228097 Puts 210026

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	8	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	*Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Clydesdale Bank Flexible Solution Acc
30 St Vincent Place, Glasgow G1 2HL 041-248 7070
[illegible]

The Co-operative Bank
PO Box 300, Skelmersdale, Lancs 0345 252000
[illegible]

United Trust Bank Ltd (formerly UTC)
1 Great Cumberland Pl, London W1H 7AL 071-258 [illegible]
[illegible]

J. Henry Schroder Wagg & Co Ltd
120 Cheapside, London EC2V 6DS 071-382 6000
[illegible]

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141
[illegible]

NOTES – Gross: Contracted rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 25 / Sch) · BELGIUM/LUXEMBOURG (Jul 25 / Frs.) · DENMARK (Jul 25 / Kr) · FINLAND (Jul 25 / Mks) · FRANCE (Jul 25 / Frs.) · GERMANY (Jul 25 / Dm.) · ITALY (Jul 25 / Lire) · NETHERLANDS (Jul 25 / Fls.) · NORWAY (Jul 25 / Kroner) · SPAIN (Jul 25 / Pta.) · SWEDEN (Jul 25 / Kronor) · SWITZERLAND (Jul 25 / Frs.)

[illegible]

PACIFIC

JAPAN (Jul 25 / Yen) · HONG KONG (Jul 25 / H.K.$) · MALAYSIA (Jul 25 / MYR) · SINGAPORE (Jul 25 / S$) · AUSTRALIA (Jul 25 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jul 25 / Can $) 4 pm close · MONTREAL (Jul 25 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Jul 25 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, July 25, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.0m	333	-6	Toshiba Corp	2.7m	754	-9
Mitsubishi Hvy	4.7m	768	-16	Mitsubishi Elec	2.6m	677	-22
Nissan Motor	3.4m	750	-57	Kawasaki Steel	2.4m	392	-6
Mitsubishi Oil	3.0m	1,130	-20	Fujitsu Ltd	2.4m	1,030	-20
Hitachi	2.7m	992	-6	Nomura Secs	2.3m	2,240	-80

INDICES

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US INDICES

[illegible]

■ RATIOS

■ STANDARD AND POOR'S 500 INDEX FUTURES $500 times index

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

[illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jul	2050.0	2060.6	+7.0	2072.6	2037.0	16,587	28,109
Aug	2058.5	2068.5	+7.5	2078.5	2048.0	-	3,797
Sep	2068.5	2076.5	+7.6	2077.5	2066.0	1,341	26,745

Open interest figures for previous day.

** Sat July 23: Taiwan Weighted Price 6556.23; Korea Comp Ex 950.58. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000. JSE Gold - 255.7; JSE 28 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto (c) Closed (u) Unavailable. † IBIS/DAX after-hours index: Jul 25 - 2144.21 -4.02

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

4 pm close July 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	13⅞	AAR	0.48	3.4	470	178	14⅜	14	14⅛	-⅛
16⅞	13	A L Labs A	0.10	1.3	21	28	13¾	13½	13¾	
73	57⅝	AMP	1.68	2.4	25	2036	71⅞	70⅞	71⅛	+⅝
72⅛	52⅛	AMR			39	4428	59¼	58½	58½	-1
5	3⅜	ARX			13	133	3¾	3⅝	3⅝	
56⅛	38⅝	ASA	2.00	4.4	30	186	45⅝	45⅜	45½	
31⅞	25⅞	AbbotL x	0.79	2.7	10	8323	28⅝	27⅞	28⅜	+⅛
13¾	11⅞	AbitibiPr	0.90	4.0	6	89	12¾	12⅝	12⅝	-⅛
23⅝	17¾	ABM Ind x	0.52	2.6		7	20⅛	20	20	
13⅞	11⅛	Acmecain			25	89	13⅛	13⅞	13½	
31	22¾	ACE Ltd	0.44	1.8	3	588	24	23⅝	23⅞	+⅛
12⅛	10⅛	ACM Gvt In	1.00	10.3		346	10¾	10½	10⅝	-⅛
10⅛	7⅞	ACM GvOpp	0.80	9.0		28	9¼	9¼	8¾	+⅛
10⅝	0	ACM Gvt Sp	0.96	11.8		154	9¼	8⅛	8⅛	-⅛
12	9⅛	ACM Gvt Se	1.09	11.7		603	9½	8⅞	9⅜	
11⅛	8¾	ACM Man	1.00	12.3		49	8⅞	8¾	8¾	-⅛
9¼	0	ACM Mangd	0.72	8.9		132	8⅛	8⅛	8⅛	
15½	8¾	ActnaCtr	0.44	3.9	13	86	11½	11⅛	11¼	-⅛
8¼	6½	Active Elect			5	53	8¼	7⅞	6⅛	+⅜
28¾	23	Acordia	0.60	2.3	13	7	28⅜	26¼	26⅜	-⅛
9⅞	5¼	Actava	0.36	4.1	2	130	8¾	8⅝	8¾	
15⅝	11¼	Acuson			85	208	12⅞	12	12⅝	+⅜
18⅞	16½	Adams Expr	0.48	2.0	0	286	17⅛	17	17	
04	46½	Ad Micro	3.00	5.8		47	54⅜	53⅞	53⅞	-1
31¾	16¾	AdvMic	3.00	11.9	10	4191	25⅞	25¼	25¼	-⅝
6⅞	5	Advest Grp	0.10	3.1	8	16	5⅛	5⅛	5⅛	
20	16	Advo Inc	0.16	0.61	15	5	17⅞	17⅛	17⅞	
57⅞	49⅞	Aegon ADR	2.85	5.4	12	13	54⅝	54⅛	54⅝	+⅛
65¾	49¾	AetnaL x	2.70	4.9	8	798	56⅜	56¼	56⅜	+2⅛
35	25¼	Aflac	0.46	1.3	14	624	34¼	34½	34¼	+⅛
20⅛	16⅞	Ahmanson	0.88	4.3	14	2104	u20⅜	19⅞	20⅜	+⅜

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4 pm close July 25

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close July 25

[illegible]

AMEX COMPOSITE PRICES

4 pm close July 25

[illegible]

FINANCIAL TIMES Tuesday July 26 1994

AMERICA

US oil groups Q2 disappoint the market

Wall Street

US sbare prices were mixed yesterday morning in a lack-lustre session highlighted by the secood-quarter results of the leading US energy groups, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 1.94 better at 3,736.98, while the more broadly based Standard & Poor's 500 was up 0.63 at 453.74.

Volume on the Big Board was a light 125m shares by early afternoon.

In the secondary markets, the American SE composite was off 0.14 at 433.31, and the Nasdaq composite slipped 1.49 to 715.19.

The restrained tooe which had dominated trading last week carried over to yesterday's opening. Prices began firmer but failed to make much beadway, with the market held in cbeck by renewed uncertainty over the timing of the Federal Reserve's next move to tighter money.

With Mr Alan Greenspan's recent warning on interest rates still ringing in the ears of equity investors, the market looked for guidance elsewhere and came up empty. Activity in the bond market was as non-committal as in stocks, and there was but a shred of second-tier economic guidance oo offer.

The National Associatioo of Realtors announced that sales of existing homes last month had dropped 3.6 per cent. The oews, while oominally supportive of a scenario which sees the Fed delaying its next strike on rates, was merely shrugged off.

Instead Wall Street concentrated on further news on how the corporate sector had fared during the secood quarter. The overall impression was not particularly favourable, but few stocks were hit hard.

More notably, Wall Street was disappointed with the big oil groups, which reported their downstream profit margins had come under pressure as crude prices climbed during the second quarter. Amoog the companies reporting, Mobil dropped $1 to $83¾, Texaco dipped $¼ to $62¾ and Exxoo was off $⅛ to $49.

By cootrast, Black & Decker surprised analysts by posting better-than-expected earnings of 24 cents, up from 20 cents in the year-earlier period. The tool maker's stock was marked up $1¼ to $18⅝.

Capital Cities/ABC appreciated $1 to $79½ on its announcement of net income of $1.23 a share, up from 92 cents a year ago. CBS added $2¾ to $311 after the media group began a programme to purchase 3.5m shares at $325 each.

McDonnell Douglas dropped $4⅛, or 3.6 per cent, to $110⅞. The downturn was a negative reaction to the company's decision to explore the development of a new 100-seat commercial aircraft.

Canada

Torooto was weak at midday as the battle for Lac Minerals and secood quarter results drew the market's attention.

Losses led by golds, financial services, and conglomerates outpaced gains in metals and minerals, and forestry products.

The TSE 300 index was down 9.67 to 4,166.49 in midday volume of 23.11m shares.

EUROPE

Continent is becalmed in summer doldrums

The higb-summer doldrums begun to take their toll yesterday. Madrid was closed for a public boliday.

MILAN, bowever, was once again unsettled by news of the arrests for alleged corruptioo and the raid on the offices of Mr Silvio Berlusconi's Fininvest group.

The Comit index gave up 4.36 to 726.09 in light trade as profits were taken after last week's rally.

JP Morgan, enthusiastic about the outlook for the Italian market before the general electioo, has reduced its target for the market for this year and next, and has cut its weighting from overweight to neutral.

Mr Gary Dugan and Mr Hark Howdle said that the lack of explicit commitment to any meaningful structural change in last week's budget, and the increasing squabbles within the coalition government, had led them to reduce their BCI-30 targets from 190 to 175 at the end of this year and from 210 to 200 by the end of 1995. The index stood at 169.74 yesterday.

Mr Dugan added that frictions within the coalition might, at the very least, delay the progress of oecessary reform. He would have expected Mr Silvio Berlusconi to push the pace, but for now, the prime minister had lost some political power following his climbdown on the penal law decree last week, while the political developments over the weekend had served to compound the problems.

Industrial stocks consolidated last week's gains with Fiat easing L20 to L7,010 and Olivetti L30 easier at L2,540.

Telecommunications issues were harder hit with Sip giving up L70 to L4,517 and Stet losing L111 or 2 per ceot to L5,497.

PARIS was lifted by a rally in the bood market, but with turnover down to just FFr2bn there was little excitement about.

The CAC-40 index rose 18.43 to 2,059.84, on the first day of the oew account, as futures broke through a resistance level.

Analysts noted that the last account period had been the first positive one since January – over the calendar month the CAC rose 7 per ceot and 6 per cent on the trading month.

Mr Michael Woodcock of Nikko Europe noted that the main factor affecting sentiment was the dollar.

EuroDisney fell to FFr10, down FFr1.70, in volume of some 8m shares, as arbitrage between rights and sbares intensified.

FRANKFURT fell during official bours as some profit-taking emerged following the gains of last week. The Dax index ended off 14.04 at 2,136.22.

In the Ibis there was a modest gain to 2,144.41.

Turnover was DM6bn.

In an analysis of the market written before last Thursday's Buba meeting Robert Fleming Securities said that the banking sector would continue to be held back by capital market losses "and by the hangover of growing the loan book strongly during the recessioo. Both consumer and construction sectors face an uphill struggle in the medium term, and we would remain cautious."

Amoog the day's activity Daimler rose against the trend, up DM14 at DM786, helped, brokers said, by the positive statement from its Mercedes unit on Friday.

Among groups due to report results tomorrow Deutsche Bank fell DM4 to DM728.50, Commerzbank DM4 to DM337.50 and Allianz DM43 to DM2,472.

ZURICH was mixed in quiet trade, and the SMI index finished 2.0 higher at 2,601.2, supported by strength in pharmaceuticals and cyclicals.

Ciba registered shares, seen as cheap compared with others in the sector, put on SFr17 to SFr798 while Roche certificates overcame some early weakness to finish SFr25 higher at SFr5,545.

Among cyclicals, Alusuisse rose SFr12 to SFr682.

BRUSSELS, encouraged by oews that the government had reached agreement over the 1995 budget, saw the Bel-20 index lift 12.74 to 1,445.80.

Turnover was BFr1.2bn.

Some analysts remarked that overall strength was helped by the dollar, a rise in the bond market and optimism over the success of budget talks.

Solvay and Bekaert featured, the former gaining BFr275 to BFr14,475 and the latter BFr450 to BFr27,100.

STOCKHOLM was little changed although there was some selling in Ericssoo shares.

The Affärsvärldeo general index sliped 0.7 to 1,465.0.

Ericsson's B share dropped SKr8 to SKr401 in active trading. Profit-taking in the stock was seen, together with negative domestic comment.

Turnover dropped to SKr1.27bn from SKr1.56bn.

Volvo rose SKr10 to SKr745 on speculation that it found a buyer for all or parts of its subsidiary Branded Consumer Products.

Forest sector shares continued to outperform, bolstered by the weak currency, earnings expectations and expectations of product price increases. The sector index rose 1.4 per cent with Stora up SKr7 to SKr417 and SCA up SKr4 to SKr120.

OSLO finished marginally weaker as profit-taking eroded early gains inspired by the results from Norsk Hydro. The All Share index dipped 1.33 to 641.95 in turnover of NKr487m.

Norsk finished NKr1 higher at NKr251, after an early NKr257.50, in response to its better than expected second quarter results.

COPENHAGEN was grounded by the summer lull, the Top 20 KFX index slipping 0.37 to 107.96 in low turnover dominated by the banks. Den Danske Bank slipped DKr5 to SKr354 and UniDanmark eased DKr4 to SDr241. TeleDanmark was the most heavily traded issue, giving up DKr4 to DKr318.

Written and edited by John Pitt and Michael Morgan

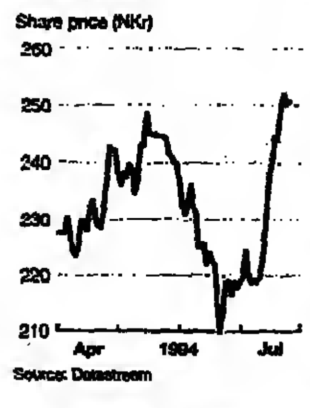
FT-SE Actuaries Share Indices

Jul 25 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1381.96	1381.39	1383.82	1384.53	1384.32	1383.04	1384.10	1384.30
FT-SE Eurotrack 200	1420.32	1419.74	1422.39	1422.85	1422.07	1420.77	1421.23	1421.38

	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18
FT-SE Eurotrack 100	1387.40	1371.54	1367.56	1361.71	1346.11
FT-SE Eurotrack 200	1424.29	1407.95	1407.57	1404.54	1391.67

Base 1000 (26/10/90). Highday: 100 - 1385.32 200 - 1424.10 Lowday: 100 - 1381.43 200 - 1419.03



Source: Datastream

ASIA PACIFIC

Nikkei falls to 2-month low on arbitrage selling

Tokyo

Share prices fell on arbitrage selling prompted by lower futures prices and profit-taking by overseas investors, and the Nikkei average closed at a two-mooth low, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 issue index closed down 165.23 at 20,297.66 after a high of 20,427.39 and a low of 20,224.04. The Topix index of all first sectioo stocks declined 16.07 to 1,621.79 while the Nikkei 300 lost 2.77 to 293.76. Declines led advances hy 839 to 167, with 170 issues remaining unchanged.

In London, tbe ISE/Nikkei 50 index was down 1.65 at 1,307.88.

The dollar's fall against the yeo following last week's brief recovery, discouraged dealers. Overseas investors also placed sell orders to lock in profits from the high yen.

Volume was low at 226m shares against 278m. Fears that the dollar will remain under the Y100 level against the Japanese curreocy bought ahout prospects of falling profits at the leading exporters. "Worries over the yen are weighing on the thin market," said a Japanese broker.

High-technology blue chips were hit by selling. NEC fell Y30 to Y1,170 and Mitsubishi Electric lost Y22 to Y677. Consumer electronics companies were also weaker with Sony down Y160 to Y5,790 and Pioneer Electronic declining Y150 to Y2,760.

Brokers were down on profit concerns due to the recent decline in stock market activity. Nomura Securities fell Y80 to Y2,240 while smaller brokers, which are more vulnerable to falls in stock trading commissions, declined. Marusan Securities sank Y80 to Y1,140 aod New Japan Securities retreated Y55 to Y840.

Nissan Motor fell Y57 to Y750. Aside from the higher yen, investors were also discouraged by reports that the company will need to recheck 700,000 vehicles following a government guidance to curb suspected carbon monoxide leakages.

Meanwhile, some individual investors dabbled in speculative favourites. Sugar refiners rose in the morning session on a cancer drug developed by Ensuiko Sugar Refining oo the second section. However, later profit-taking eroded the gains and the stock closed down Y110 at Y1,900 while Mitsui Sugar dropped Y17 to Y595.

Some retailers were higher oo tbe rebound in coosumption. Mitsukoshi rose Y10 to Y1,030 and Tokyu Departmeot Store gained Y16 to Y806.

In Osaka, the OSE average fell 233.14 to 22,686.74 in volume of 56m shares.

Roundup

Market activity was mixed yesterday.

HONG KONG rose slightly after moving within a narrow range ahead of today's government land auction.

The Hang Seng index added 21.63 to 9,174.62 in turnover of HK$2.6bn against Friday's HK$2.7bn.

HSBC Holdings topped the active list, rising 25 cents to HK$89.75 against the day's high of HK$90.75. Hang Seng Bank fell 25 cents to HK$53.75.

Bank of East Asia, depressed by its poorer-tban-expected interim profits, eased 30 ceots, or 1 per cent, to HK$31.40.

profits.

Sincere fell 17 cents to HK$2.01 after reporting an 89 per ceot drop in annual profits.

SINGAPORE was stronger on bargain-hunting, with a late round of buying support for blue-chip issues from overseas investors. The Straits Times Industrial index put on 13.04 to 2,212.26, slightly off the sessioo high of 2,214.5. Brokers said that sentiment was assisted by renewed buying interest from overseas investors.

Cycle and Carriage rose 20 cents to S$11.20 dlrs, Fraser and Neave put on 20 ceots to S$16.60 dlrs and City Development 10 cents to S$6.65. SEOUL dropped oo widespread selling of blue chips. The composite index dipped 11.46 to 939.12.

Among the risers Kukje cootinued to perform in anticipation of better performances as a result of diversification. It went limit up, gaining Won210 to Won9,610 in volume of 1.3m shares.

TAIPEI closed higher as lower-priced stocks that had lagged recent rallies began to surge. Tbe weighted index increased 131.77 or 2 per cent to 6,688.00, its higbest level since oo June 6, 1990. Turnover was T$107.7bn.

Buying appeared in lower-priced electronics stocks while, among financials, ICBC gained the daily seven per cent limit, rising T$6 to T$98.

MANILA rose sharply on expectations of good second quarter results due out soon.

The composite index closed 63.36 up at 2,771.51

Brokers said that they expected some profit-taking to creep in today, but expected the upward trend to cootinue for some time.

Turnover was 1.45bn pesos after Friday's 1.4bn.

KUALA LUMPUR improved slightly, the composite index adding 3.92 to 1,004.38. Turnover eased to M$515m from Friday's M$598m. Malaysian Airline System slipped 5 cents to M$6.50 as Malaysian International Shipping added 10 cents to M$6.80.

SYDNEY eoded lower with sentimeot affected by fears of a possible rise in interest rates. The All Ordinaries index slipped 4.2 to 2,048.3 in turnover of A$262m.

One brokers noted that the Reserve Bank of Australia was meeting today and CPI data was expected on Wednesday.

Mining stocks were mostly firm: CRA up 10 cents at A$18.80 and WMC adding 10 cents to A$7.45.

In banks, NAB added 6 cents to A$11.00, ANZ lost 1 cent to A$4.11 while Westpac and Commonwealth Bank shed 2 cents apiece two to A$4.73 and A$8.02 respectively. In contrast Advance Bank surged 26 cents, or 2.7 per cent, to A$9.76.

KARACHI eased on profit-taking and a lack of institutional support on settlement day but financials remained firm on prospects of good results.

The KSE 100-share index fell 25.99 or 1.16 per cent to 2,223.64 points. Losers led gainers 194 to 99.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+0.93	+1.82	+9.78	-7.91	-3.30	-0.14
Belgium	+2.08	+2.18	+6.42	-5.12	+1.15	+4.45
Denmark	+3.00	+5.57	+21.28	+1.19	+6.37	+9.65
Finland	+4.24	+10.54	+47.23	+16.96	+24.41	+28.47
France	+3.30	+6.60	+6.88	-9.26	-4.95	-1.84
Germany	+2.05	+5.76	+14.61	-6.60	-1.57	+1.65
Ireland	+2.24	+9.08	+16.05	+0.20	+3.73	+7.12
Italy	+2.91	+6.21	+28.49	+19.79	+25.36	+29.45
Netherlands	+3.16	+4.81	+15.58	-4.59	+0.23	+3.50
Norway	+3.24	+10.94	+23.63	+5.75	+10.75	+14.37
Spain	+1.72	+3.58	+14.79	-6.76	-1.93	+1.28
Sweden	+3.76	+6.99	+24.92	+3.93	+6.99	+10.49
Switzerland	+3.35	+0.48	+12.03	-10.53	-4.84	-1.72
UK	+1.35	+8.10	+10.59	-8.40	-8.40	-5.41
EUROPE	+2.28	+6.09	+13.00	-5.97	-2.97	+0.21
Australia	-0.52	+1.60	+14.20	-4.68	+0.80	+4.10
Hong Kong	+0.20	+2.67	+36.49	-23.98	-26.37	-23.96
Japan	-1.99	-2.52	+0.40	+12.29	+22.93	+26.94
Malaysia	-0.71	-1.02	+38.66	-23.18	-22.64	-20.12
New Zealand	+0.92	+0.18	+18.43	-6.50	-2.01	+1.18
Singapore	-0.27	+0.35	+25.74	-12.66	-9.99	-7.04
Canada	-0.02	+5.18	+11.98	-2.07	-8.89	-5.91
USA	-0.25	+2.43	+1.63	-2.62	-5.70	-2.62
Mexico	-1.90	+0.55	+35.18	-13.05	-23.18	-20.67
South Africa	-0.59	-0.79	+41.87	+13.19	+2.66	+6.02
WORLD INDEX	-0.15	+1.70	+5.66	-0.44	+1.59	+4.92

† Based on July 22nd 1994.

Local investors in the Nordic markets, who traditionally take summer holidays earlier than their southern European counterparts, are returning to work to find that the bourses have been putting in strong performances, albeit in low turnover. The Nordic countries were among the best performers over the last week, and month, as they continued to pick up after their uncertain performances earlier in the year. In addition, Denmark saw a strong performance by banks, helped by a rising bond market, while foreign analysts have also proved enthusiastic about the ontlook for TeleDanmark and DDL, the Danish part of SAS. Sweden witnessed foreign demand for Volvo, while Outokupu and Nokia were the driving force behind Finland's improvement. Norway had high expectations, in the event justified, of yesterday's results from Norsk Hydro. Mr Richard Lilley of Unibank commented that the figures were likely to confirm that positive tone as investors turned their attention to next month's raft of half-yearly corporate figures.

Johannesburg strengthens

Sonth African shares were supported in slow trade, bnt dealers said sentiment remained mixed amid concern abont world eqnity market direction.

The overall index put on 19 to 5,568, industrials 46 to 6,420 and gold 3 to 2,050.

De Beers added 50 cents to R108.75 and SAB 75 cents to R86.75.

Richemont picked np 75 cents to close at R38.25.

Driefontein fell 50 cents to R63.00, while Freegold gained R1.50 to R58.50. Geocor lost 5 cents to R11.55 ahead of today's announcement of the details of its deal to purchase base metals mining group Billiton from Royal Dutch Shell.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 22 1994								THURSDAY JULY 21 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	173.71	1.0	168.58	108.40	144.09	155.86	0.2	3.54	172.00	165.85	107.29	140.93	155.58	189.15	138.56	138.56
Austria (17)	184.73	-1.2	179.25	115.27	153.23	153.37	0.1	1.04	186.93	180.25	116.60	153.16	153.18	195.41	155.68	157.25
Belgium (37)	169.89	-0.6	164.86	106.02	140.92	137.59	0.7	4.02	170.85	164.75	106.58	139.98	138.51	178.67	143.62	148.31
Canada (106)	127.77	0.2	123.98	79.73	105.99	127.50	0.2	2.66	127.48	122.93	79.52	104.45	127.22	145.31	120.54	122.89
Denmark (33)	271.55	0.3	263.50	169.46	225.25	231.17	1.4	1.28	270.83	261.15	168.94	221.90	228.00	275.79	207.58	211.21
Finland (24)	158.28	0.0	153.58	98.77	131.29	175.13	1.0	0.81	158.24	152.59	98.71	129.66	173.42	159.20	95.42	96.56
France (97)	172.72	-1.5	167.60	107.78	143.27	147.80	-0.5	2.97	175.34	169.07	109.38	143.66	148.59	185.37	151.11	151.11
Germany (58)	142.56	0.1	138.34	88.96	118.25	118.25	1.3	1.75	142.49	137.40	88.88	116.74	116.74	147.07	112.69	118.20
Hong Kong (58)	372.08	0.3	361.04	232.18	308.63	369.05	0.3	3.21	370.91	357.67	231.38	303.91	367.87	506.56	271.42	271.60
Ireland (14)	198.40	-0.4	192.52	123.80	164.57	185.56	0.3	3.29	199.15	192.04	124.23	163.18	184.95	209.33	157.90	159.94
Italy (61)	88.79	0.6	86.16	55.41	73.65	105.04	1.3	1.44	88.27	85.12	55.06	72.33	103.67	97.78	57.88	68.18
Japan (469)	165.19	-1.0	160.30	103.08	137.03	103.08	-1.0	0.74	166.85	160.89	104.08	136.71	104.08	170.10	124.54	152.01
Malaysia (98)	472.54	0.5	458.54	294.88	391.97	471.49	0.6	1.73	470.01	453.23	293.20	385.11	469.02	621.63	343.87	343.87
Mexico (18)	1894.17	1.2	1838.01	1182.00	1571.17	7050.06	1.2	1.89	1871.27	1804.41	1167.30	1533.20	6962.97	2647.08	1516.57	1526.84
Netherland (27)	206.08	-0.4	199.97	128.60	170.94	168.40	0.9	3.37	206.85	199.46	129.03	169.48	166.93	207.48	165.52	166.09
New Zealand (14)	68.71	0.1	66.68	42.88	57.00	60.27	-0.1	3.97	68.67	66.22	42.84	56.27	60.38	77.59	52.24	52.68
Norway (23)	205.46	-0.6	199.37	128.21	170.43	193.93	0.5	1.70	206.64	199.26	128.90	169.31	193.05	207.35	156.74	157.94
Singapore (44)	341.65	-0.7	331.52	213.20	283.40	238.01	-0.6	1.77	344.05	331.78	214.62	281.90	239.44	378.92	250.05	253.92
South Africa (59)	283.22	-1.2	274.62	176.74	234.93	283.52	-0.2	2.24	286.55	276.32	178.75	234.79	284.04	292.64	175.93	200.52
Spain (42)	141.14	-0.2	136.95	88.07	117.07	140.88	1.0	4.01	141.47	136.41	88.25	115.91	139.32	155.79	116.33	118.00
Sweden (36)	216.98	1.0	210.53	135.39	179.97	251.83	1.8	1.59	214.82	207.14	134.00	176.01	247.39	231.35	168.75	168.75
Switzerland (47)	157.39	-0.7	152.72	98.22	130.55	131.92	0.9	1.84	158.42	152.76	98.82	129.80	130.72	176.56	125.30	126.37
United Kingdom (204)	193.96	0.0	188.21	121.04	160.89	188.21	0.7	4.02	193.91	186.98	120.96	158.88	186.98	214.96	172.28	173.11
USA (519)	184.94	0.1	179.46	115.41	153.40	184.94	0.1	2.90	184.76	178.16	115.25	151.39	184.76	196.04	178.95	181.97
EUROPE (720)	169.93	-0.2	164.89	106.04	140.95	155.21	0.7	2.99	170.32	164.24	106.25	139.55	154.08	178.56	143.32	143.67
Nordic (116)	214.43	0.6	208.07	133.81	177.86	212.52	1.5	1.40	213.25	205.63	133.02	174.72	209.43	220.60	160.69	160.96
Pacific Basin (749)	172.66	-0.8	167.54	107.74	143.22	112.78	-0.8	1.06	174.02	167.80	108.55	142.58	113.67	176.86	134.79	155.09
Euro-Pacific (1469)	171.38	-0.6	166.30	106.94	142.16	129.67	-0.2	1.87	172.33	166.18	107.50	141.20	129.67	173.89	143.88	150.29
North America (625)	181.36	0.1	176.01	113.19	150.45	180.99	0.1	2.89	181.21	174.73	113.04	148.47	180.80	192.73	175.67	178.32
Europe Ex. UK (516)	153.15	-0.4	148.61	95.57	127.03	135.27	0.8	2.39	153.73	148.24	95.90	125.96	134.23	157.47	125.09	125.18
Pacific Ex. Japan (280)	247.46	0.4	240.12	154.42	205.27	221.03	0.2	2.89	246.38	237.58	153.69	201.88	220.58	296.21	185.92	185.92
World Ex. US (1652)	172.22	-0.5	167.11	107.47	142.85	132.88	-0.1	1.89	173.13	166.94	108.00	141.85	133.06	174.76	145.56	150.71
World Ex. UK (1967)	173.62	-0.3	168.47	108.34	144.01	145.32	-0.1	2.05	174.22	168.00	108.68	142.75	145.51	175.56	155.96	158.92
World Ex. So. Af. (2112)	174.76	-0.3	169.58	109.05	144.96	148.18	-0.1	2.24	175.29	169.03	109.34	143.62	148.26	176.56	158.54	160.02
World Ex. Japan (1702)	183.13	0.0	177.70	114.28	151.90	175.63	0.3	2.91	183.14	176.60	114.24	150.05	175.21	195.20	166.51	166.51
The World Index (2171)	175.42	-0.3	170.22	109.47	145.51	149.19	-0.1	2.24	175.97	169.68	109.77	144.18	149.27	178.97	158.85	160.19

Constituent change with effect 26/7/94: Deletion: Trizec 'A' (Canada). Latest prices were unavailable for this edition.